Walt Disney Productions

1980 Annual Report

FINANCIAL HIGHLIGHTS

(Thousands of dollars, except per share data)	**1980**	1979	Change
Revenues	**$ 914,505**	$796,773	+15%
Net income	**135,186**	113,788	+19%
Per share	**4.16**	3.51	
Cash dividends	**23,280**	15,496	+50%
Per share	**.72**	.48	
Additions to property, plant and equipment	**160,300**	56,629	+183%
Additions to film production costs	**68,409**	44,436	+54%
Stockholders equity	**1,074,798**	961,062	+12%
Per share	**33.22**	29.76	

STOCK TRANSFER AGENT AND REGISTRAR
Bank of America, N.T. & S.A., San Francisco

STOCK EXCHANGES
The Common stock of the Company is listed for trading on the New York, Pacific, and Swiss Stock Exchanges.

INDEPENDENT ACCOUNTANTS
Price Waterhouse & Co., West Los Angeles

ANNUAL MEETING OF STOCKHOLDERS
Third Wednesday in February

OTHER INFORMATION
A copy of the Company's annual report to the Securities and Exchange Commission (Form 10-K) will be furnished without charge to any stockholder upon written request to the Secretary, Walt Disney Productions, 500 S. Buena Vista Street, Burbank, California 91521.

Walt Disney Productions makes available to its stockholders a Dividend Reinvestment Plan. Those wishing a pamphlet about the plan should write to the Stockholder Relations Department, Walt Disney Productions, 500 S. Buena Vista Street, Burbank, California 91521.

On the Cover
It takes people...all kinds, all persuasions, all ages...to keep Walt Disney Productions young and vigorous.

TO OUR SHAREHOLDERS, EMPLOYEES AND ASSOCIATES:

Card Walker, Chairman of the Board and Chief Executive Officer

Ron Miller, President and Chief Operating Officer

For the 13th consecutive year, Walt Disney Productions has achieved record revenues and net income. This uninterrupted record of growth is an accomplishment of which we can all be proud—particularly in view of the persistent problems that have confronted our country and the world throughout this period.

For the fiscal year ended September 30, 1980, revenues increased 15% to $914,505,000 while net income for the same period increased 19% to $135,186,000, or $4.16 per share. Reflecting our continuing financial success, the Board of Directors at its meeting on November 25, 1980 increased the quarterly cash dividend from 18 to 25 cents per share—an indicated annual dividend of $1.00 per share. This is the fifth increase in the cash dividend in the past five years.

Each of our major business segments contributed to the enormous success we enjoyed in 1980 and their accomplishments are detailed in this Report, so we would like to talk here about what we consider our most valuable asset—the Disney people, the dreamers and doers into whose hands and minds have been entrusted the great traditions of this Company.

We think it's important for you to meet some of these people and to see what they are doing in order to understand why a great new sense of enthusiasm and optimism has become so pervasive throughout our global enterprises.

Creativity is the cornerstone of Walt Disney Productions, the challenge to build on the past and the present and to produce new and exciting product for the future. What's happening at the Studio, at WED, at Disneyland, and at Walt Disney World is a regeneration of the creative forces that gave birth to the Company almost 60 years ago.

And, while our new creative and management teams are either led by or include young people, many of the Disney veterans still play leading roles. They all share one bond, however, and that is the freshness of their ideas and spirit. You will find many of these individuals spotlighted in the pages of this Report.

At WED, while the hundreds of Imagineers—artists, architects, engineers, planners and designers—are putting the final touches on EPCOT Center and Tokyo Disneyland, they are also busy on projects for the future. And before EPCOT is completed we will have an entirely new team of producers, writers, directors, film makers and showmen at EPCOT Center in order to produce a myriad of entertainment, educational, documentary and children's shows.

At the Studio, the animation department is well on its way to doubling in size and ouput while maintaining the standards of excellence and quality that have made Disney peerless in the art of animation. Our 20th fully animated feature, "The Fox and the

Corporate Management Changes

In June, the Board of Directors approved a major restructuring of the management of the Company to maximize future potential and to allow for executive growth and experience to insure an orderly transfer of responsibility to future management.

Card Walker became Chairman of the Board and was succeeded by Ron Miller as President of the Company. Card remains Chief Executive Officer while Ron, in addition to his duties as Executive Producer, assumes the responsibilities of Chief Operating Officer. Donn Tatum, who had served as Chairman of the Board, was elected Chairman of the Executive Committee of the Board of Directors.

The Board of Directors was further strengthened by the addition of two advisory members: Ignacio E. Lozano, Jr., Editor and Publisher of "La Opinion," and Dick Nunis, who was also named President of the Outdoor Recreation Division and nominated as a member of the Executive Committee (joining Card Walker, Donn Tatum and Ron Miller).

Our corporate staff was enhanced by the election of four Senior Vice Presidents: Mike Bagnall (Finance), Ron Cayo (Business and Legal Affairs), Vince Jefferds (Walt Disney Marketing Division) and Jack Lindquist (Advertising, Publicity, Promotion and Public Relations).

In addition, an operating group of three major divisions was created: Walt Disney Motion Picture and Television Production Division, Walt Disney Outdoor Recreation Division and Walt Disney Marketing Division. Management changes within those divisions include Bo Boyd, Vice President-Consumer Products and Merchandising, Jim Jimirro, President-Walt Disney Telecommunications and Non-Theatrical Co. and Chuck Good, President-Buena Vista Distribution Co.

Hound," will be released this Summer, and three new features are already in various stages of development.

Our goal in live action motion pictures is to strengthen our leadership role in the family entertainment market. With the addition of new, young talent, we are aggressively seeking out new contemporary story product, co-production ventures, screenwriting and directorial talents. As we move into this new era of more dramatic, realistic films reflecting life in today's world, we promise you that we will not compromise the standards for which Walt Disney Productions has been recognized for more than a half-century.

And, we believe our film line-up for 1981, as represented elsewhere in this Report, demonstrates this new, bolder, broader attitude very ably.

In television, too, you will see an increased creative commitment to new product development, including continuing series concepts, Disney specials, movies of the week, etc., which, again, will broaden and strengthen Disney's impact in this most important medium.

Under young, talented management, Walt Disney Telecommunications and Non-Theatrical Co. is taking the great leap forward into home entertainment with all of the zest of our first theatrical distribution company. Here, too, the objective is primarily the origination of high quality entertainment for Pay TV, video cassettes and discs, and that means more producers, writers directors and film makers.

The entire Consumer Products division—which includes character merchandising, records and music publishing and educational media—continues to make enormous contributions to the Company, and its new cadre of leadership is also most impressive.

We also want to pay tribute to our people at Disneyland and Walt Disney World. The parks demonstrated again in 1980 that the public will seek out high-quality, family-oriented entertainment even during periods of high inflation, economic recession and ever-increasing fuel prices. In 1980, Disneyland, in its 25th anniversary year, attracted more than 11.5 million guests (surpassing the 11 million mark for the first time in its history) while Walt Disney World surpassed the 13 million mark for the fifth consecutive year.

Your Company is strong and healthy and its future is bright, principally because of the enthusiasm, dedication and support of all the people involved in Walt Disney Productions—our employees, guests, fans and shareholders.

One of the great challenges of this Company is that each success creates the need for more creative people, who in turn challenge the Company to broaden its horizons, to dream greater dreams, to accomplish more.

It is the kind of challenge we welcome because it guarantees our future.

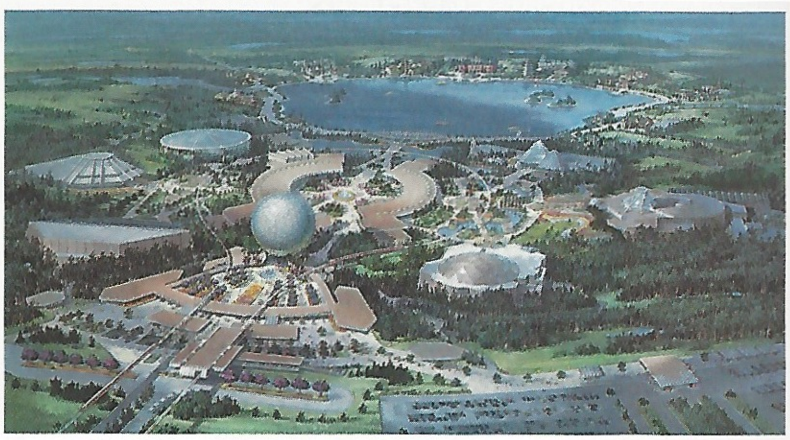
November 26, 1980

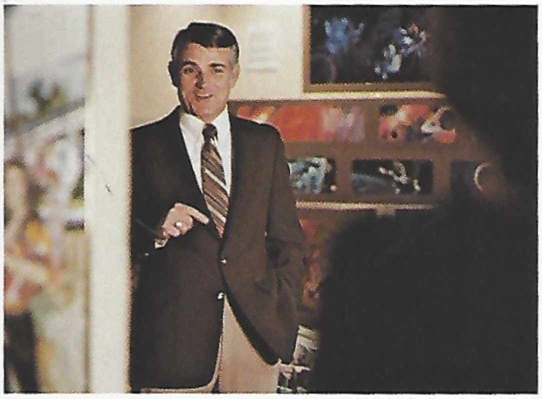
Card Walker　　　　Ron Miller

Card Walker
Chairman of the Board and
Chief Executive Officer

Ron Miller
President and
Chief Operating Officer

Aerial photograph shows dramatic progress being made on construction of EPCOT Center. Inset is artist's rendering of completed project from almost identical view.





Carl Bongirno is President of WED Enterprises, which is responsible for EPCOT Center's design and development.

Marty Sklar, WED's Vice President of Creative Development, checks Future World model work.

John Hench, WED's Senior Vice President, with World Showcase model.

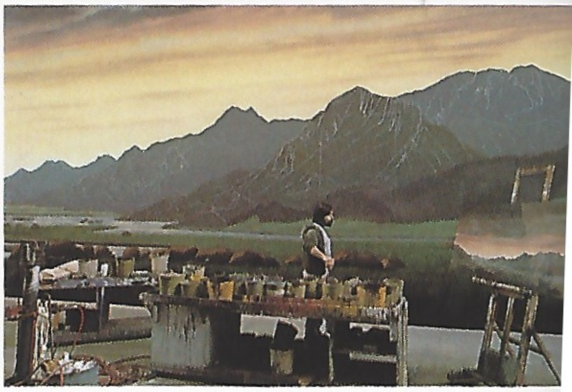
After years of dreaming, planning and preparation, EPCOT Center is dramatically taking physical shape on 550 acres of our Florida property. Heavy construction is well under way on four of the major Future World pavilions—Transportation, Energy, Spaceship Earth and The Land—as work continues on site development and support facilities for the giant project.

As the new fiscal year began, more than $290 million in construction contracts had been let on what has become the largest private enterprise construction project in history.

Work is also scheduled to begin on EPCOT Center's other major features—The World Showcase pavilions, The Communicore and pavilions for Future Probe, Imagination and The Seas.

In addition to the pavilions, also presently under construction are a central energy plant and the Monorail system that will link the $800 million project to the rest of the Walt Disney World complex. And, production has moved into high gear at MAPO, WED, the Studio and Walt Disney World.

Energy Pavilion construction is well underway while show development proceeds elsewhere. At right is history's largest backdrop, built for show feature.

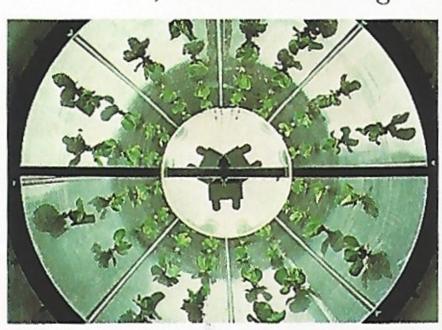


Future Farm area of The Land will feature such innovative techniques as growing fodder in salt water, top photo, and close proximity production of vegetables and fruits from varied climate zones.

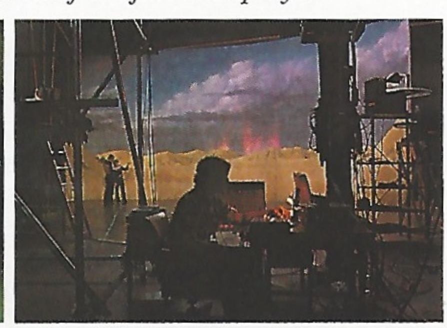
During the past year, final agreements were signed with the Eastman Kodak Company to sponsor the Journey Into Imagination pavilion, American Express and Coca-Cola to co-sponsor the American Adventure, General Electric to present Future Probe, the Bell System to present Spaceship Earth, and Sperry Univac as a major sponsor of EPCOT Computer Central in the Communicore.

They join the previously announced sponsorships of General Motors for Transportation, Kraft, Inc., for The Land, and Exxon for the Energy pavilion.

Lettuce and spinach are literally being grown in thin air at test lab for Future Farm, their roots receiving nutrients from fine mist sprays.

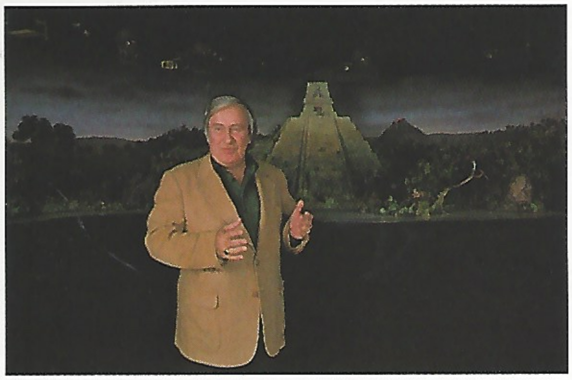


This drum device can produce food aboard space vehicles.



Special effects wizards program show for The Lands.

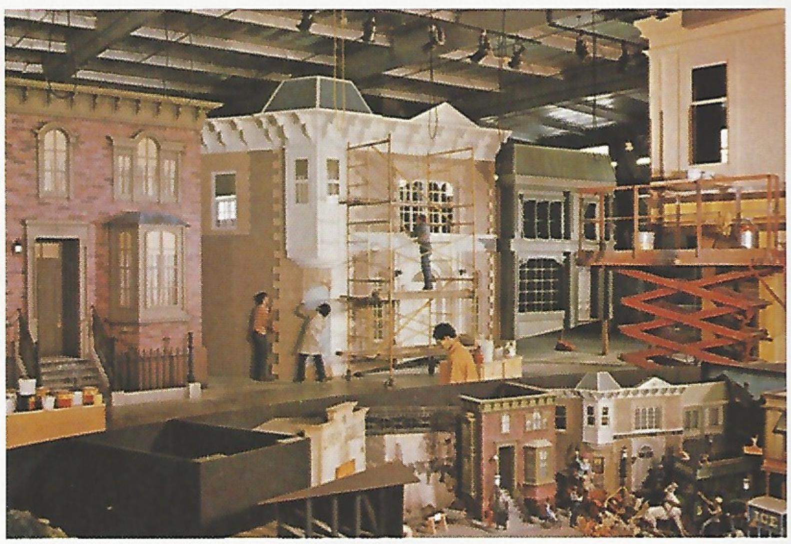
MAPO has become breeding ground for prehistoric creatures for Energy show.



Jack Lindquist, Senior Vice President of Advertising, Publications, Promotion and Public Relations, is responsible for World Showcase promotion. Behind him is Mexican pavilion model.

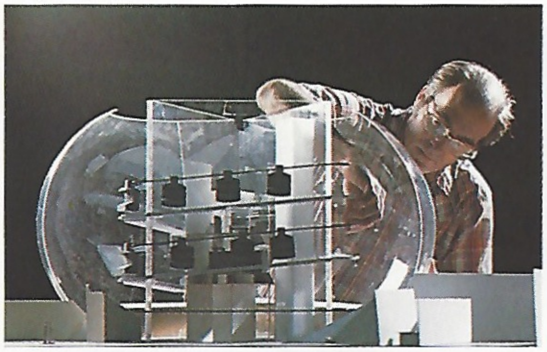
When EPCOT Center opens on October 1, 1982, a total of nine nations will be represented in World Showcase. Branching out from the American Adventure will be pavilions representing Mexico, Germany, Japan, Italy, France, the United Kingdom, Morroco and Canada.

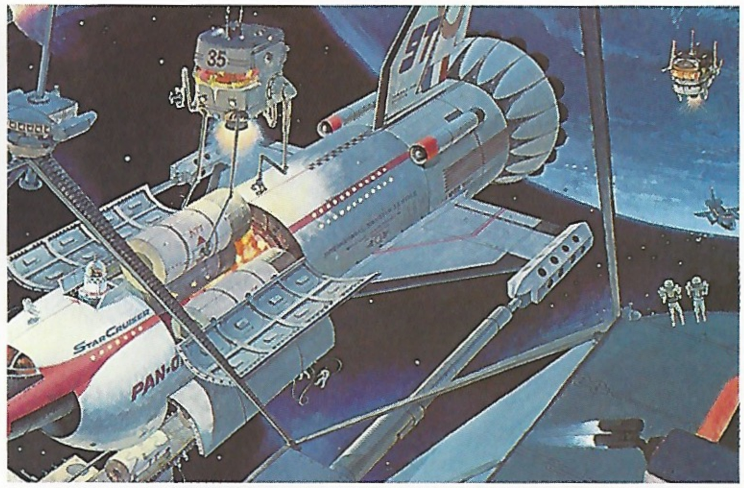
Design now underway for future development includes pavilions for Denmark, Israel, the People's Republic of China and the nations of Africa.



Construction cranes and Transportation Pavilion both stretch skyward in Florida while, above, the full-scale version of street scene model in foreground takes shape at WED in California for Transportation show.

Transportation show humorously traces man's progress, from the reed raft at left to the Trojan horse, hot-air balloons, automobiles and aircraft.



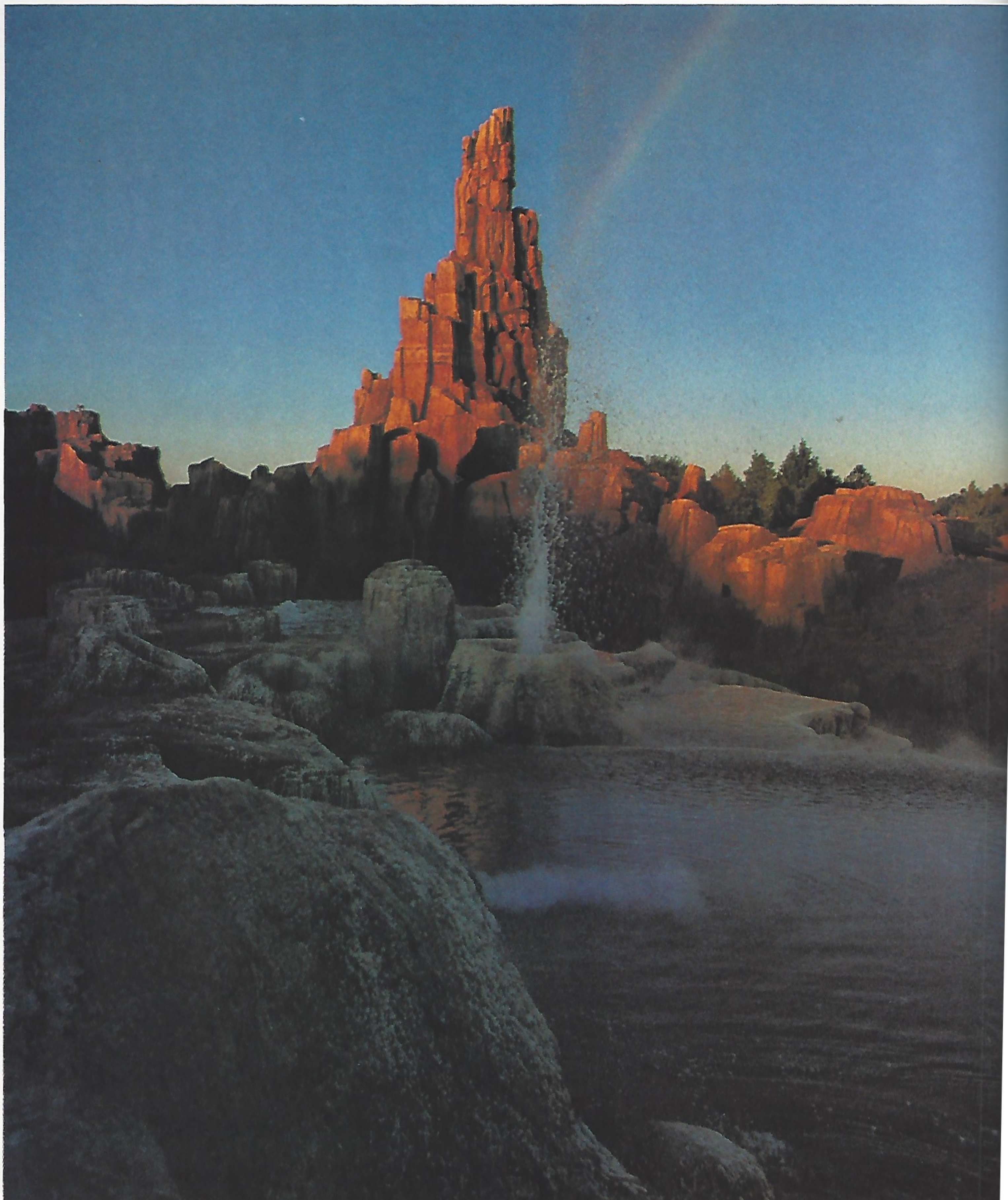


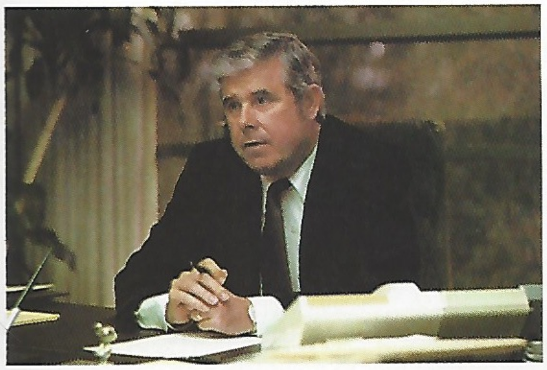
The space station at right and the Omnimax Sphere attraction shown above in model form will excite guests in Future Probe pavilion.

Imagination Pavilion boasts stunning design.

The American Adventure and French Pavilions are among World Showcase highlights.

Sculptured features of Italian and German pavilions near completion at WED.





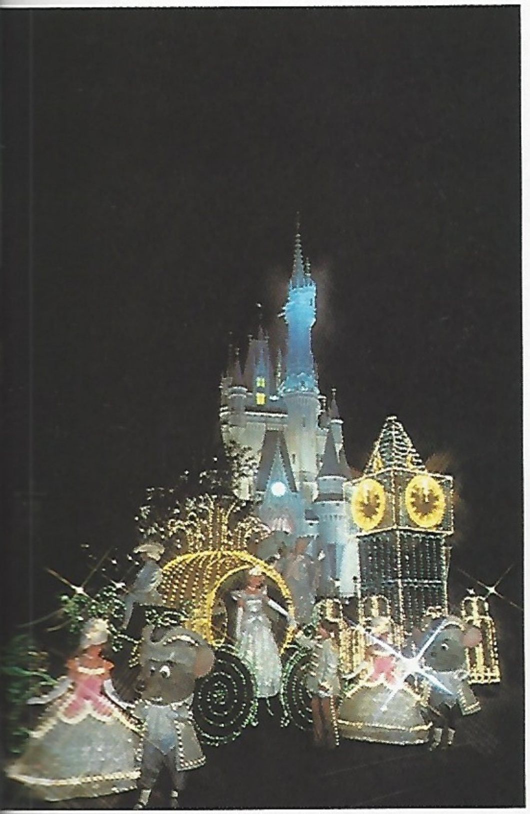
Bob Allen is Vice President of Walt Disney World.

Walt Disney World in fiscal 1980 further solidified its reputation as the world's number one vacation resort destination with attendance surpassing the 13 million mark for the fifth consecutive year. Attendance totaled 13,783,000, virtually even with the prior year which was the second best in the park's history. Revenues for the year reached $433,377,000, a new record and an increase of 11% over the prior year.

Big Thunder Mountain Railway, which has proven to be one of the most popular attractions at Disneyland, was formally dedicated at Walt Disney World in September and is surpassing all expectations in popularity.

The Walt Disney World Conference Center, which offers conference rooms, banquet facilities and a total of 140 villas for guests, opened in September of 1980 and has considerably enhanced the park's reputation as one of the nation's most desirable business meeting sites. The Center and the adjacent villas are already completely booked for fiscal 1981, and designs have been completed for an additional 184 villas and 112 nearby tree house accommodations.

Midyear 1981 will see the opening of the EPCOT Center Preview Center in the Magic Kingdom, where millions of guests will be treated to a special film presentation and see models of the buildings, artists' renderings and an overall introduction to the exciting times ahead.



Walt Disney World's version of Big Thunder Mountain Railway opened in September and is already one of the Park's most popular attractions. Added to such favorites as the Electrical Parade, attendance again topped the thirteen million mark.

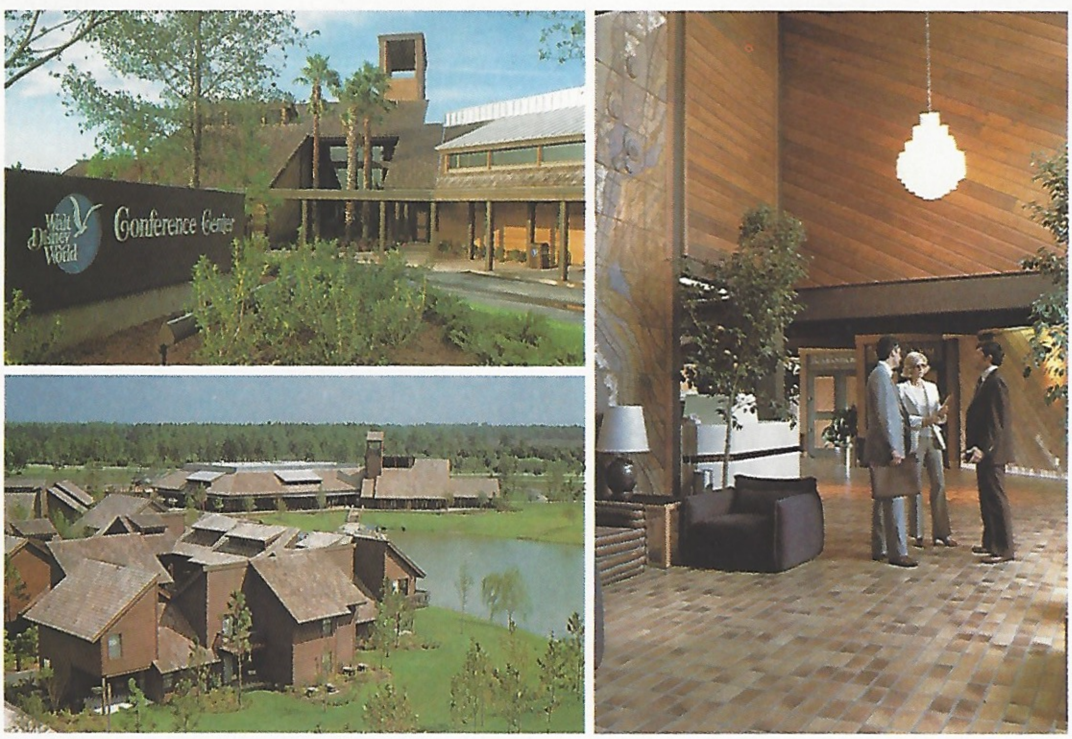
WALT DISNEY WORLD REVENUES

	1980	1979	1978	1977	1976
Admissions and rides	**$130,144,000**	$121,276,000	$114,687,000	$100,792,000	$ 93,367,000
Merchandise sales	**116,187,000**	101,856,000	86,860,000	72,906,000	64,492,000
Food sales	**106,404,000**	95,203,000	84,319,000	73,245,000	67,279,000
Lodging	**61,731,000**	54,043,000	44,972,000	39,902,000	36,107,000
Participant and other rentals	**8,632,000**	9,994,000	9,574,000	9,220,000	10,342,000
Other	**10,279,000**	7,251,000	5,226,000	4,453,000	3,799,000
Total revenues	**$433,377,000**	$389,623,000	$345,638,000	$300,518,000	$275,386,000
Theme park total attendance	**13,783,000**	13,792,000	14,071,000	13,057,000	13,107,000

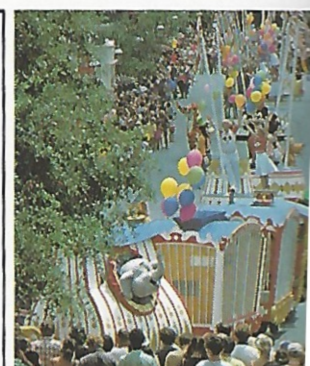
Ted Crowell is Vice President of Walt Disney World's Facilities Division.

Looking beyond the October 1982 opening of EPCOT and to meet the expected additional demand for lodging accommodations, designs are well along for three major new themed hotels that will be owned and operated by the Company on the Florida property. In addition, construction has begun on land leased out by the Company at Lake Buena Vista for the 825-room Royal Palace Hotel while negotiations continue with two other major hotel operators for construction of new facilities. The Royal Palace, which is scheduled to open approximately at the same time as EPCOT Center, also will boast some 30,000 square feet of convention and conference space. By mid-decade, the present nightly resident tourist on-property population of approximately 15,000 will be almost doubled.

October 1, 1981, will mark the 10th anniversary of Walt Disney World and the kickoff of a year-long Tencennial Celebration. Marketing plans include television specials, major promotions with media and participants, a year-long Tencennial Parade, special-value Tencennial admission media, custom-designed Tencennial decor throughout the Magic Kingdom, Tencennial-themed merchandise and a continuing program of special events and activities throughout the year. The celebration will continue through the opening of EPCOT Center.

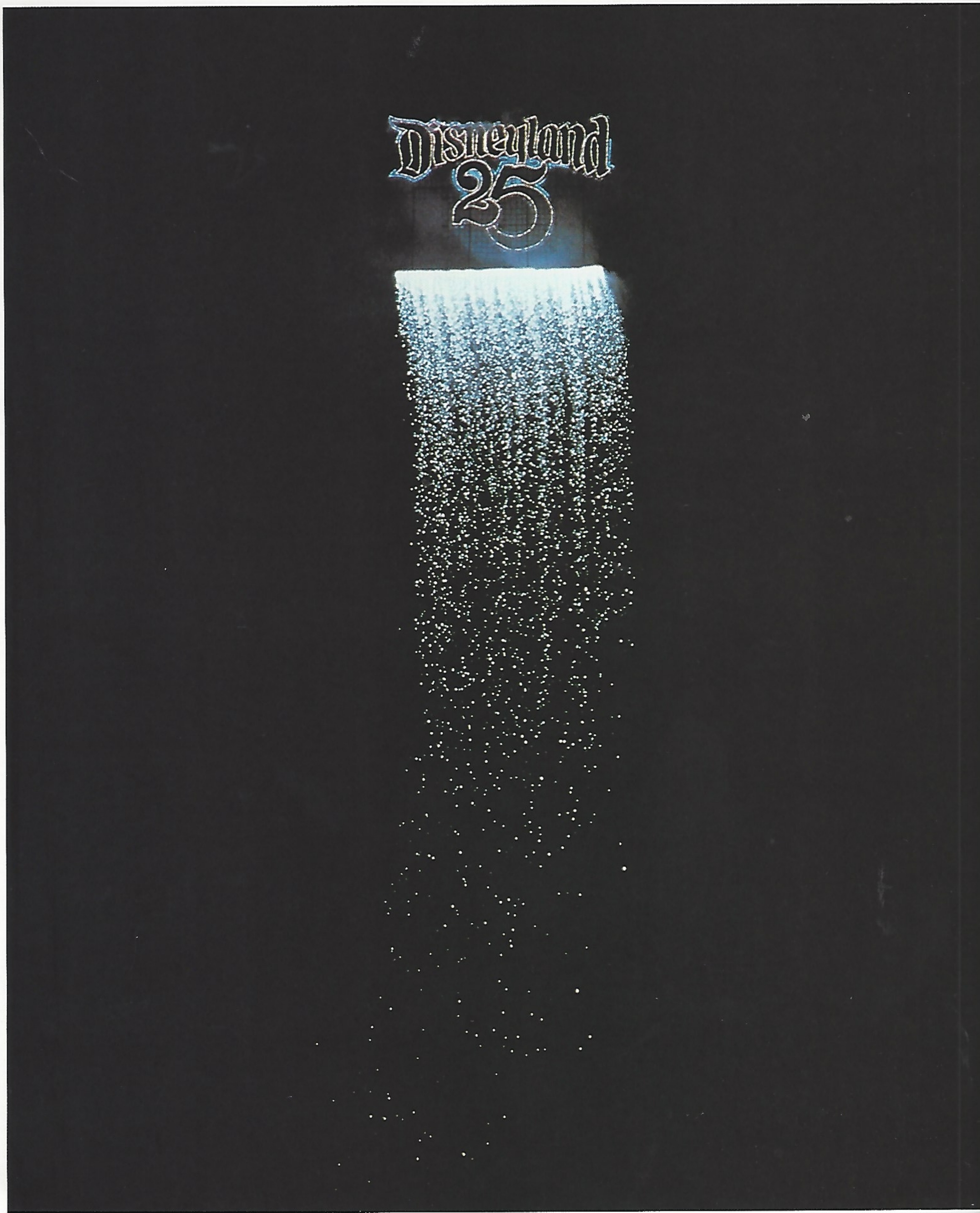


The Walt Disney World Conference Center opened in September and already its facilities, which include 140 villas for guests, are completely booked for fiscal 1981.



Jim Passilla is Vice President of Employee Relations for Walt Disney World.

Spectacular surroundings enhance Walt Disney World's proud record as the number one resort vacation destination on the globe.


Disneyland
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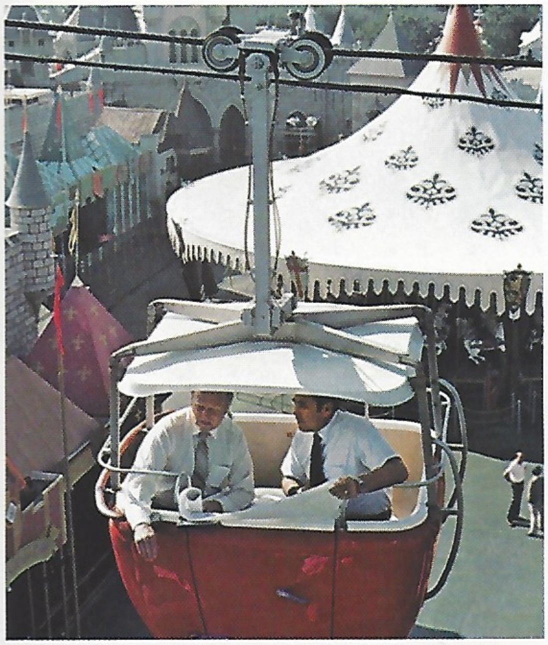


Dick Nunis, left, President of the Outdoor Recreation Division, and Ron Dominguez, Disneyland's Vice President of Operations, take bird's-eye view of plans for future projects.

Disneyland's 25th birthday received a thunderous salute during fiscal 1980 as more than 11.5 million guests joined the celebration. It was the first time attendance had ever topped the 11 million mark, and that was not the only record to be broken during the year-long festivities.

Gross revenues hit an all-time high of $207,059,000, up 17% from last year's $177,730,000. Actual total attendance was 11,522,000, up 7% from last year. The previous record was 10,807,000 established two years ago.

"Family Reunion" was the theme of the celebration, and the millions had to agree that it was one of the most spectacular birthday parties ever staged. Festivities opened appropriately at the famed Tournament of Roses Parade in Pasadena on New Year's Day and included the park's largest-ever public celebration in July as well as its biggest "private party" in April honoring thousands of people who have contributed so much over the years to the park's success.

The next milestone for Disneyland should come shortly after the first of the year when guest number 200 million comes through the turnstiles. An exciting new character parade is being developed for Easter featuring an innovative contemporary experience in music, sight and sound. The entertainment division is also finalizing plans for a new summer extravaganza.

And, true to the traditions established by Walt Disney, park personnel are busy making sure that Disneyland adheres to his prediction that it will never stop growing or ever grow old.

Mickey Mouse and all of Disneyland's musicians played key roles in the Park's year-long 25th anniversary celebration.

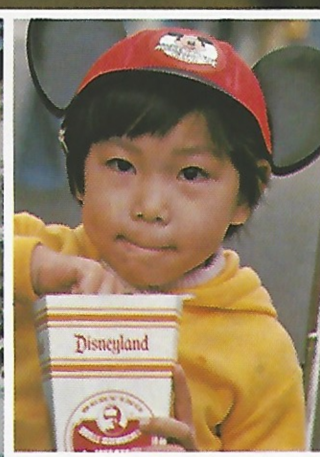
DISNEYLAND REVENUES

	1980	1979	1978	1977	1976
Admissions and rides	**$ 87,066,000**	$ 75,758,000	$ 70,909,000	$ 65,913,000	$ 57,013,000
Merchandise sales	**72,140,000**	60,235,000	49,312,000	39,485,000	32,862,000
Food sales	**41,703,000**	35,865,000	32,710,000	29,700,000	26,046,000
Participant and other rentals	**5,432,000**	5,266,000	4,676,000	4,784,000	5,352,000
Other	**718,000**	606,000	667,000	673,000	1,200,000
Total revenues	**$207,059,000**	$177,730,000	$158,274,000	$140,555,000	$122,473,000
Theme park total attendance	**11,522,000**	10,760,000	10,807,000	10,678,000	10,211,000
Celebrity Sports Center and Walt Disney Travel Co.	**$ 2,944,000**	$ 3,726,000*	$ 4,532,000	$ 4,092,000	$ 3,754,000

*Celebrity Sports Center was sold in March, 1979.

Executive Committee Chairman Donn Tatum, second from right, accepts Congressional resolution saluting Disneyland's 25th birthday from House Speaker Tip O'Neill in Washington ceremonies. Others are, from right, Rep. William Dannemeyer, Mickey and Disneyland Ambassador Nancy Englert and Rep. Jim Lloyd. Other scenes show why America's first theme park continues to grow in popularity.


Coca-Cola


Disneyland

TOKYO DISNEYLAND: IT BEGINS

Site preparation completed, Tokyo Disneyland begins to take shape on this 600-acre landfill in Tokyo Bay.

Even before construction began, attractions were being completed for Tokyo with many familiar characters, such as those for Small World, right, Pirates of the Caribbean and the Jungle Cruise (on facing page). A totally new attraction will feature the stars and adventures of Pinocchio.

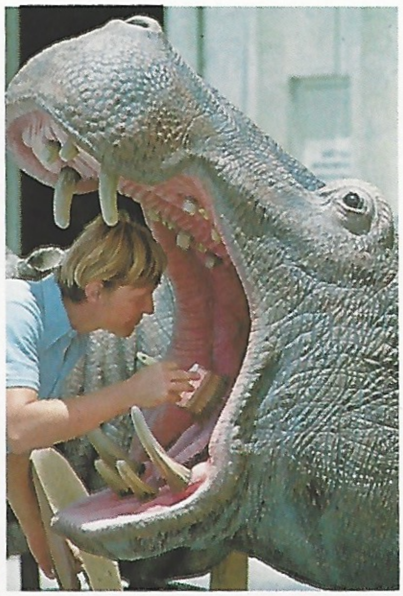
Frank Stanek is Vice President of Tokyo Disneyland Administration.

True to Japanese tradition, the morning of December 3, 1980, opened with a solemn Shinto purification ceremony attended by a select few. It concluded with the symbolic turning of the soil, and Walt Disney Productions' first overseas theme park venture was formally underway.

Participating in the ceremonies and a later reception were officials of our partners in the venture, the Oriental Land Company Ltd.—including its president, Masatoma Takahashi—government dignitaries and participant representatives. Representing Disney were Card Walker, Dick Nunis and Jack Lindquist.

Tokyo Disneyland, located on a spectacular 600-acre landfill site in Tokyo Bay within an hour's travel time of more than 30 million people, is scheduled to open in 1983. Site preparation is virtually complete—rough grading finished, top soil in place, final grading underway and landscaping begun. The master plan has been finalized and preliminary facility design, which includes several attractions not offered at the American parks, virtually completed.

The Tokyo Disneyland Project Center office, which houses the staffs of both Walt Disney Productions Japan and the Oriental Land Company, opened near the site on November 15, 1980. Meanwhile, operations and maintenance training and actual show and ride manufacture are proceeding both here and in Japan.



Executive Story Editor David Ehrman, left, goes over scene from "The Fox and the Hound" with animator Phil Nibblink.

The Hip Cats made rollicking return to screen at Christmas in re-issue of "The Aristocats."

The film will be accompanied in release by "Once Upon A Mouse," a fast-paced, contemporary 20-minute featurette celebrating the history of Disney animation. Montages, collages, computerized optical effects, kinestasis and behind-the-scenes footage will be utilized. Unique in its design, this special facility will accompany "The Fox and the Hound" in its theatrical release and will also be shown non-theatrically on the college circuit.

In order of release dates, the lineup includes:

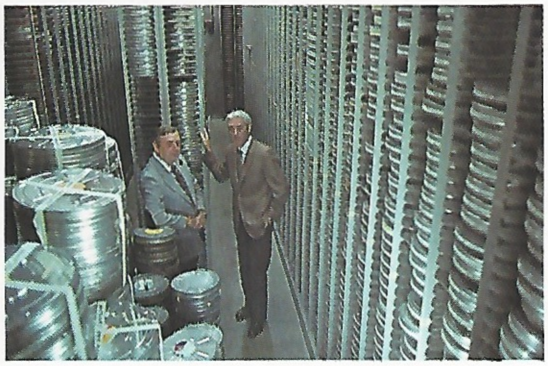
"The Aristocats," one of our most popular animated features, in its first re-issue at Christmas, 1980. The original story of a high-society family of cats due to inherit a fortune features the voice talents of Phil Harris, Eva Gabor, Sterling Holloway and Pat Buttram.

"Popeye," starring Robin Williams, Shelley Duval, Paul Smith and Paul Dooley. The classic cartoon character comes to life in this mirthful, musical, madcap film directed by Robert Altman and written by Jules Feiffer. A joint Disney/Paramount Pictures venture, the film was produced by Robert Evans and opened at Christmas, 1980.

"The Devil and Max Devlin," starring Elliott Gould as a ne'er-do-well who tangles with Bill Cosby as Satan's right-hand man. This devilish fantasy also stars Susan Anspach, Adam Rich and Julie Budd and opens in February.

Robin Williams and Shelley Duvall star as Popeye and Olive Oyl in Christmas co-production release from Disney and Paramount.

Bill Cosby and Elliott Gould are, respectively, "The Devil and Max Devlin," due for February release.



Chuck Good, left, President of Buena Vista Distribution, and Harry Archinal, President of Buena Vista International, direct worldwide sales of Disney film product.

"Amy-On-The-Lips," starring Barry Newman and Jenny Agutter, a sensitive period piece of the love between a teacher of the deaf and a country doctor. This remarkable film also stars a number of young deaf children from a special school in Riverside, California, and opens Easter week.

"Condorman," starring Michael Crawford, Barbara Carrera, Oliver Reed and James Hampton, a spy-thriller spoof set in spectacular areas of Europe and featuring special effects only Disney could produce. The film is set for a summer release.

Barry Newman and Jenny Agutter star in touching period piece, "Amy-on-the-Lips," due for Easter release.

Michael Crawford and Barbara Carrera prepare to lift off in summer spy-spoof "Condorman," also starring Oliver Reed and James Hampton.

Bob King, Vice President, Market Planning for Motion Pictures and Television, checks promotional material.

"Dragon Slayer," the second of our co-production ventures with Paramount, is also due for a summer release. Starring Sir Ralph Richardson and a new young cast, the exciting action adventure fantasy deals with the quest of a sorcerer's apprentice to kill a mighty dragon which is terrorizing a mythical medieval kingdom.

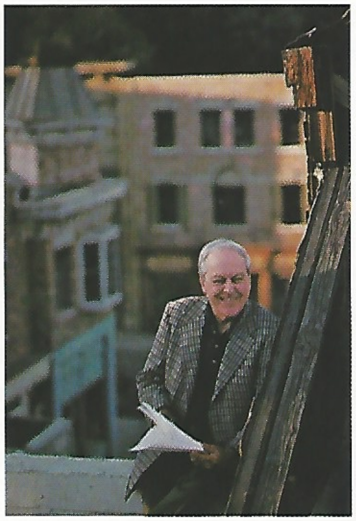
"The Watcher in the Woods," starring Bette Davis, Carroll Baker, Lynn-Holly Johnson and David McCallum, which was withdrawn last year to revise the ending, will receive its first nationwide release in October. This Hitchcock-like thriller received an all-new look from Harrison Ellenshaw, whose work on "Star Wars" and "The Black Hole" placed him at the top of the special effects field.

Carroll Baker, Bette Davis and Lynn-Holly Johnson star in "The Watcher in the Woods," suspense film with an exciting new ending, due for October release.

"Dragon Slayer," starring Sir Ralph Richardson, is Disney's second co-production venture with Paramount and is due for summer release.

MOTION PICTURES AND TELEVISION REVENUES

	1980	1979	1978	1977	1976
Theatrical					
Domestic	**$ 63,350,000**	$ 49,594,000	$ 69,010,000	$ 58,723,000	$ 60,535,000
Foreign	**78,314,000**	57,288,000	57,912,000	36,585,000	39,790,000
Television					
Worldwide	**19,736,000**	27,903,000	25,213,000	22,750,000	18,808,000
Total Revenues	**$161,400,000**	$134,785,000	$152,135,000	$118,058,000	$119,133,000



Bob Gibeaut is Vice President of Studio Operations.

"Never Cry Wolf," starring Charles Martin Smith and directed by Carroll Ballard of "Black Stallion" fame, is scheduled for Christmas 1981 release. Filmed on location in the wilds of Western Canada, "Never Cry Wolf" is the true story of a naturalist/writer who lives among wolfpacks and learns as much about himself as he does about them.

Equally exciting is the list of new films either already in production or in development for 1982 and beyond. In production are:

"Night Crossing," starring John Hurt, Jane Alexander and Beau Bridges. Now being filmed in Europe under the direction of Academy Award winner Delbert Mann, this is the exciting true adventure of two East German families and their escape to freedom in a hot air balloon.

"Never Cry Wolf," starring Charles Martin Smith, is Carroll Ballard's first Disney feature and boasts finest cinemagraphic work since his much-acclaimed "Black Stallion."

"The Black Cauldron," Disney's 21st fully animated film and the first to be entirely produced by a new generation of animators and story-tellers.

In various stages of development are:

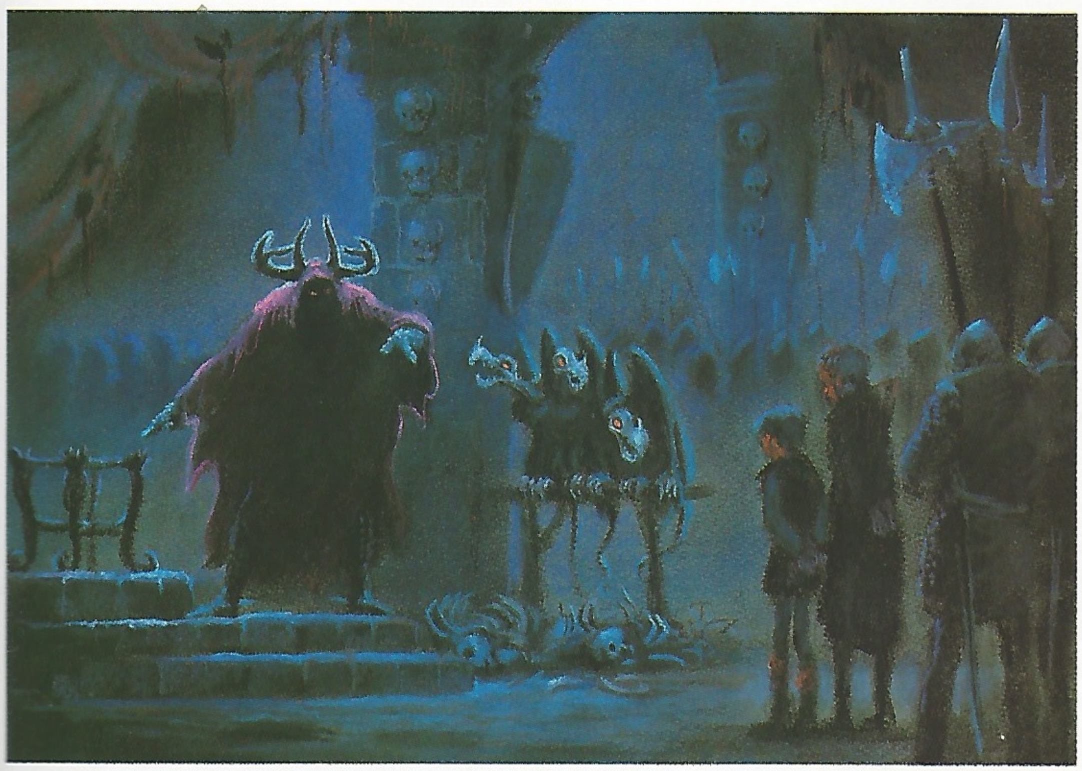
"Tex," based on the novel of the same name by S.E. Hinton, America's number one author of teenage books. Tim Hunter, who will co-author the screenplay, will make his directorial debut when this film begins production in June on location in Texas. The contemporary drama focuses on a teenaged boy, coming of age and forced by some harsh realities to leave his adolescence behind.

"Tron," a science fiction fantasy replete with spectacular special effects. Donald Kushner will produce this live-action feature which begins principal photography in February at the Studio.

"Something Wicked This Way Comes," based on a screenplay by Ray Bradbury and produced by Kirk Douglas and son, Peter. Set in a Midwestern town at the turn of the century, the haunting fantasy-thriller centers on two boys and their battle with an evil mystical force.

Richard Dreyfuss will star in a film about the young Albert Einstein which will blend reality with "Fantasia-like" animation to show the famous scientist's thought processes as he developed his theory of relativity.

Academy Award-winning director Delbert Mann, center, discusses scene with stars John Hurt and Jane Alexander during filming of "Night Crossing" in Germany.



"The Black Cauldron," Disney's 21st and most ambitious animated film is now in production. The sword and sorcery epic is scheduled for mid-1980s release.

Vice Presidents for Television Lennart Ringquist, left, and Bill Yates direct Company's new thrust in medium.

Television productions will explore innovative themes and new concepts as we launch an exciting expansion campaign. In addition to "Disney's Wonderful World," now in its record-breaking 27th year, new series development has become a priority.

Series concepts include:

"Two of a Kind," a contemporary comedy about a country western song-writer who sings the blues when he becomes guardian to identical twin singers.

"Small and Frye," a comedy about a private detective who is exposed to a meteor shower on his honeymoon and shrinks to a height of six inches.

"The Liberation of Laura Hoffman," about a beleaguered housewife who enrolls in art school and takes assertiveness training courses, much to the chagrin of her psychiatrist husband and her three offspring.

A long but highly successful nationwide search for the original members of the Mickey Mouse Club culminated in a reunion celebration of music, memories and magic when Disney's Wonderful World presented "The Mouseketeer Reunion." Inset shows some of those who answered the roll call for the reunion and above are members of the original cast with Walt Disney.

"The San Diego Zoo Story," a behind-the-scenes look at the characters who must face extraordinary challenges while dealing with rare animals and each other at one of the world's largest zoos.

Upcoming specials and movies-of-the-week include:

"Son for a Day," about an 11-year-old Manhattan youth who finds it profitable to befriend "zoodaddies" (nervous divorced fathers who get to spend one day a week with their offspring).

"Sitting Ducks," a drama about a family that witnesses a gangland-style massacre at a restaurant and then is forced to adopt a new identity as part of an FBI witness relocation program.

"The Wizards of WED," a rare glimpse at the wonders of the designers of Disneyland, Walt Disney World and EPCOT Center.

The Company's involvement in pay television continues to grow. In October, we announced the release of 14 feature films to the pay television industry commencing in 1981. Available titles include "The Black Hole," "The North Avenue Irregulars," "Freaky Friday" and "The Apple Dumpling Gang Rides Again," and such classics as "Darby O'Gill and the Little People." We have already reached agreement with several major pay-TV distributors, including Home Box Office, for our product.

Bush pilot Doug McClure and young runaway Michael Sharrett brave wilderness after crash-landing in rugged Canadian mountains. Survival adventure highlights Disney's Wonderful World season.

Ghosts of founders return to save military school from destruction in high-spirited comedy, "Ghosts of Buxley Hall," on Disney's Wonderful World.

CONSUMER PRODUCTS

As Senior Vice President of the Marketing Division, Vince Jefferds directs Company's world-wide and highly successful marketing activities.

Consumer products continued to make strong gains during the year and prospects for the current period are even brighter due primarily to our strong entry into the home video market and the extensive campaign already well underway for "The Fox and the Hound."

Character Merchandising, Records and Music Publishing and the Educational Media divisions of the Company recorded an overall increase of 21% in gross revenues, up to $109,725,000 from $90,909,000.

New products being marketed under Company license include, above, a Pooh telephone, a Tiffany-style lamp and clock and, right, the "Ultimate Mickey Mouse" pendant, made by Cartier of 18k gold, with emerald eyes, sapphire ears, ruby buttons and diamond shoes and trousers.

Bo Boyd is Vice President, Consumer Products and Retail Merchandising.

Jim Jimirro is President of Walt Disney Telecommunications and Non-Theatrical Company.

Gary Krisel is Vice President and General Manager of the Walt Disney Music Company.

Character merchandising rose to $29,631,000 from $24,787,000; Publications to $22,284,000 from $18,985,000; Educational Media to $32,473,000 from $29,240,000, and Records and Music Publishing to $23,432,000 from $16,129,000.

"The Fox and the Hound" campaign includes the sale of stuffed animals representing the characters, puzzles, games, nationally syndicated comic strips, extensive tie-in advertising campaigns in major media, and publication of more than two million books.

Records and Music Publishing's remarkable 45% increase in revenues was due mainly to the continuing success of the album, "Mickey Mouse Disco," which has sold more than two million copies domestically alone and earned a double platinum award in the United States, a platinum in Canada and a gold in Australia.

New releases during the current year will include contemporary music albums featuring Mickey and Donald Duck—"Pardners," "Goin' Quackers" and "Yankee Doodle Mickey"—plus music from "The Fox and the Hound" and "Dragon Slayer."

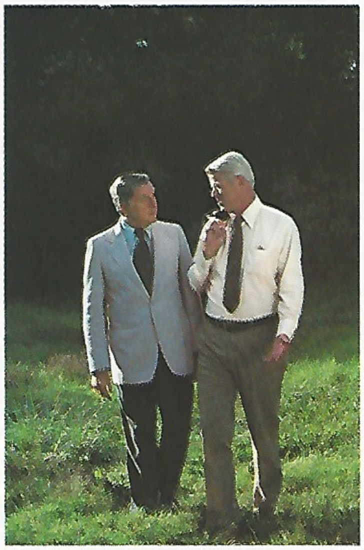
Through our newly organized Telecommunications and Non-Theatrical Company, Walt Disney Productions became a major source of videocassettes and discs for home use.

After extensive research and test marketing, we became the first major film company to offer an authorized rental plan directly to retailers. The plan enables the Company and its distribution organizations to share in proceeds from both sale and rental of Disney properties.

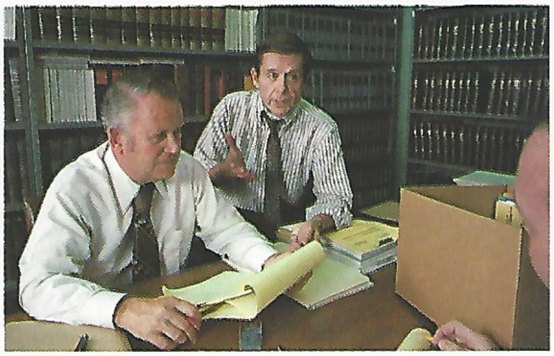
Eleven motion pictures are being offered, including "Mary Poppins," "The Love Bug" and "The Black Hole," and three collections of cartoons.

CONSUMER PRODUCTS REVENUES

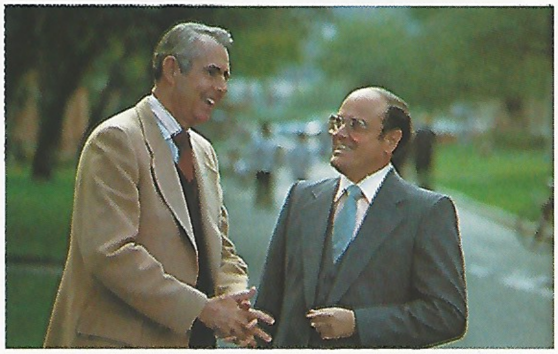
	1980	1979	1978	1977	1976
Educational media	**$ 32,473,000**	$ 29,240,000	$ 24,809,000	$ 20,714,000	$ 17,743,000
Character merchandising	**29,631,000**	24,787,000	21,359,000	17,743,000	21,058,000
Publications	**22,284,000**	18,985,000	15,045,000	12,861,000	11,090,000
Records and music publishing	**23,432,000**	16,129,000	17,218,000	13,858,000	12,173,000
Other	**1,905,000**	1,768,000	2,133,000	1,426,000	1,086,000
Total revenues	**$109,725,000**	$ 90,909,000	$ 80,564,000	$ 66,602,000	$ 63,150,000



Executive Committee Chairman Donn Tatum, left, and Senior Vice President for Finance Michael Bagnall.

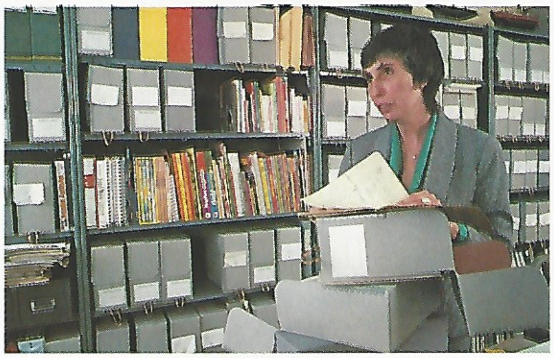


Richard Morrow, left, is Vice President-General Counsel and Ron Cayo is Senior Vice President, Business and Legal Affairs.



Luther Marr, left, is Vice President, Corporate and Stockholder Affairs, and Jose Deetjen is Vice President, Tax Administration, and Counsel.

Bruce Johnson, left, is Controller and William Jones is Treasurer of Walt Disney Productions.



Doris Smith is Corporate Secretary and Administrator of the Disney Foundation.

FINANCIAL REVIEW

SUMMARY OF OPERATIONS*

	1980	Change	1979	Change	1978
Revenues	$914,505	+15%	$796,773	+8%	$741,143
Operating income (before corporate expenses)	231,300	+12%	205,695	+4%	197,540
Corporate expenses	25,424	+26%	20,220	−1%	20,523
Interest income (net)	42,110	+48%	28,413	+128%	12,468
Taxes on income	112,800	+13%	100,100	+10%	91,100
Net income	135,186	+19%	113,788	+16%	98,385
Per share	$4.16		$3.51		$3.04

*In thousands of dollars, except per share data.

Presentation of the Financial Information

Management is responsible for the preparation of the consolidated financial statements and related information appearing in this annual report. Management believes that the financial statements fairly reflect the form and substance of transactions and that the financial statements reasonably present the Company's financial position and results of operations in conformity with generally accepted accounting principles. Management has also included in its financial statements amounts that are based on estimates and judgments which it believes are reasonable under the circumstances.

The independent accountants examine management's financial statements, in accordance with generally accepted auditing standards, and provide an objective, independent review of the fairness of reported operating results and financial position.

The Board of Directors of the Company has an Audit Review Committee composed of three nonmanagement Directors. The Committee meets periodically with financial management, the internal auditors and the independent accountants to review accounting, control, auditing, and financial reporting matters.

In the discussion that follows, the tables are in thousands, except for per share data.

Earnings and Stockholders Equity

Net income for the Company totalled $135.2 million in 1980, an increase of 19 percent over the $113.8 million earned in 1979. Earnings per share increased to $4.16 from $3.51 for the previous year. All segments contributed to higher revenues and operating income, which combined with a significant increase in interest income and a lower effective rate of taxes on income to produce record earnings for the year.

The Company's annual rate of growth over the last five years has been 12.0% for revenues and 17.1% for net income. During the same period, the rate of general inflation has been 9%. (The effects of inflation are discussed more extensively beginning on page 36.)

The financial statements and notes provide information about operating results, financial position and changes therein for the fiscal years 1980 and 1979. Operating results are discussed by business segment in the forepart of this report together with summaries of revenues for the last five years. Management's financial analysis of operations follows in this section.

Total stockholders equity increased 12% in 1980 and has increased at an annual rate of growth of 11.7% over the last five years.

	1980	Change	1979	Change	1978
Stockholders equity	$1,074,798	+12%	$961,062	+12%	$861,235
Per share	$33.22		$29.76		$26.71

Now over one billion dollars for the first time, stockholders equity has increased by $455 million over the last five years, reflecting the Company's policy of reinvesting its earnings for future growth.

Net income as a percent of stockholders equity has averaged 12.8% over the last five years, with the high being 14.1% in the current year.

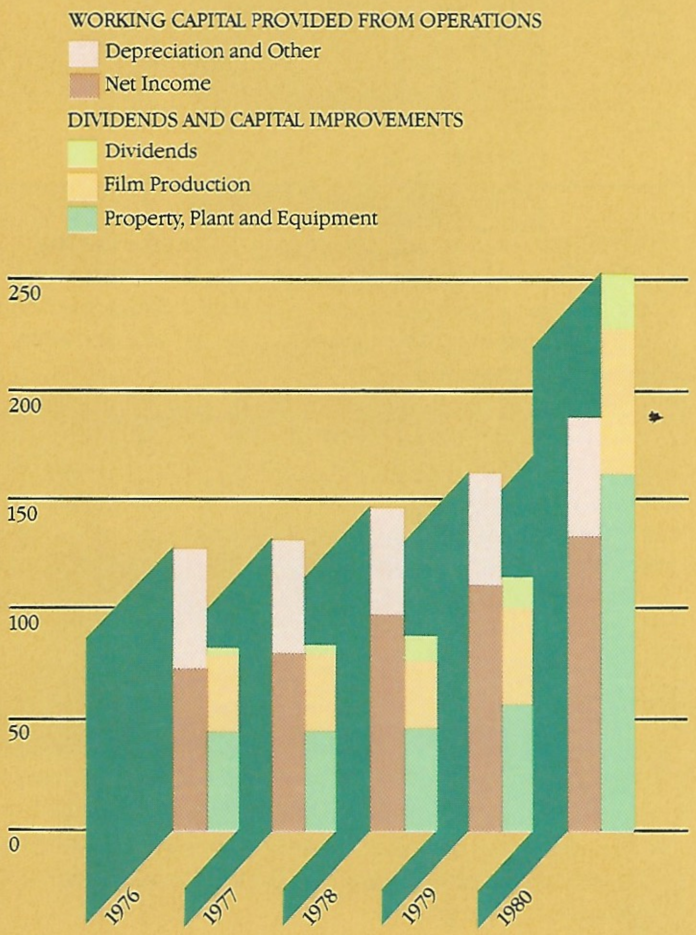
Source of Funds

With the Company's steady growth in earnings, working capital provided from operations has increased by 59% since 1975 and by 15% to $186.3 million in 1980.

	1980	Change	1979	Change	1978
Working capital provided from operations	$186,346	+15%	$162,029	+9%	$148.081

Because funds from operations have been sufficient to meet capital spending demands and other needs, the Company has had no borrowings since 1975. It does have available an unsecured revolving line of credit of $200 million should it be needed and the Company will continue to explore other potential sources of debt financing as well.

PRINCIPAL SOURCES AND USES OF FUNDS
(In Millions of Dollars)



Use of Funds

In recent years, the Company has utilized its available funds by increasing dividends to stockholders and by investing in capital improvements, including film production.

The Company's basic dividend policy is to consider periodic dividend increases to its stockholders consistent with earnings growth and its need for funds to support future growth. The Board of Directors has increased the dividend rate for four consecutive years to its present annual rate of $.72 per share. Total cash dividends in 1980 represents 17.2% of net income for the year. (At its regular meeting on November 25, 1980, the Board again increased the quarterly cash dividend to $.25 per share — or an annual rate of $1.00 per share.)

	1980	Change	1979	Change	1978
Cash dividends	$23,280	+50%	$15,496	+51%	$10,273
Percent of net income ...	17.2%		13.6%		10.4%
Per share	$.72		$.48		$.32

The Company continues to invest in the future through its capital improvements program. Over the past five years, the Company has invested approximately $350 million in property, plant and equipment and $215 million in film production. These investments are intended to expand services and operating capacity in the Company's entertainment and recreation businesses and to maintain and improve the productive capability (in the form of new film product) of the motion picture business. The consumer product business will also benefit from this continued expansion of product.

In fiscal 1980, expenditures accelerated on the EPCOT Center with the continuing design effort being augmented by the fabrication of ride and show components and by site development and construction activities (see Note 2 of Notes to Consolidated Financial Statements). Other additions in 1980 included the Big Thunder Railway attraction at Walt Disney World and the Club Villas and Conference Center at Lake Buena Vista, all of which opened during the last four months of the year. The increase in additions to film production costs reflects not only an increase in film projects but also ever-increasing production costs. The Company's share of "Popeye" and "Dragon Slayer", co-productions with Paramount Pictures, contributed significantly to the current year additions.

	1980	Change	1979	Change	1978
Additions to property, plant and equipment					
EPCOT Center .	$113,155	+579%	$16,666	+187%	$ 5,797
Other	47,145	+18%	39,963	+1%	39,570
Additions to film production costs	$ 68,409	+54%	$44,436	+36%	$32,716

The Company currently anticipates that expenditures during fiscal 1981 will approximate $350 million for the EPCOT Center, $35 million for other property, plant and equipment and $55 million for motion picture production. A substantial portion of the activities involving the EPCOT Center will relate to actual on-site construction.

Financial Position

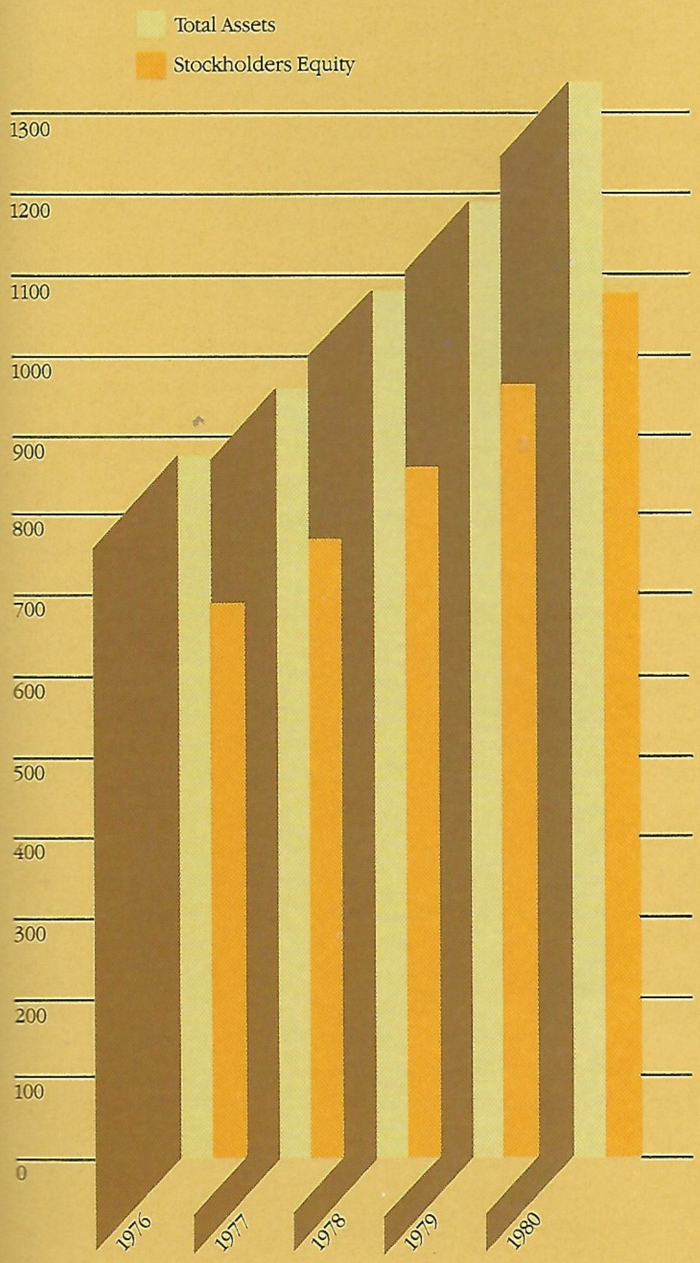
The Company's financial position continues to gain strength as total assets now exceed $1.3 billion. In the absence of long-term debt, the ratio of total capitalization to total assets has remained constant.

	1980	Change	1979	Change	1978
Total assets	$1,347,407	+13%	$1,196,424	+10%	$1,083,141
Percent of stockholders equity to total assets	80%		80%		80%

The increase in total assets of 13% for 1980 is reflected in film production costs and property, plant and equipment, further demonstrating management's plan to invest in assets that are intended to increase the productive capability of the Company for years to come.

Short term investments of $318.5 million at September 30, 1980 ($346.1 million-1979) consist primarily of Bankers Acceptances, negotiable Certificates of Deposit, commercial paper and various United States Government issues. They have an average maturity of 81 days and a weighted average yield at cost of 10.39% (10.59%-1979). It is contemplated that these funds will be used to finance the EPCOT Center project (see Note 2 of Notes to Consolidated Financial Statements).

TOTAL ASSETS AND STOCKHOLDERS EQUITY
(In Millions of Dollars)



Market Price and Dividend Data

The principal market for trading Walt Disney Productions common stock is the New York Stock Exchange. Market data and dividend data by fiscal quarters for the past two years were:

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
1980				
Price per share:				
High	$45-1/2	$48-1/8	$52-3/4	$53-7/8
Low	35-1/2	40-1/2	41-1/4	46-1/4
Dividend per share	$.18	$.18	$.18	$.18
1979				
Price per share:				
High	$44-1/8	$44-1/8	$40-3/8	$42-1/2
Low	35-1/2	36-3/8	33	33-1/2
Dividend per share	$.12	$.12	$.12	$.12

ANALYSIS OF OPERATIONS

An analysis of the financial results for fiscal years 1980 and 1979 by business segment and corporate expense is presented below to assist the reader in an understanding and evaluation of the material changes in the various items in the Summary of Operations By Business Segements (page 46).

Entertainment and Recreation

	1980	Change	1979	Change	1978
Revenues	$643,380	+13%	$571,079	+12%	$508,444
Operating income	127,532	+6%	120,644	+14%	105,952
Theme park attendance — combined	25,305	+3.1%	24,552	−1.3%	24,878

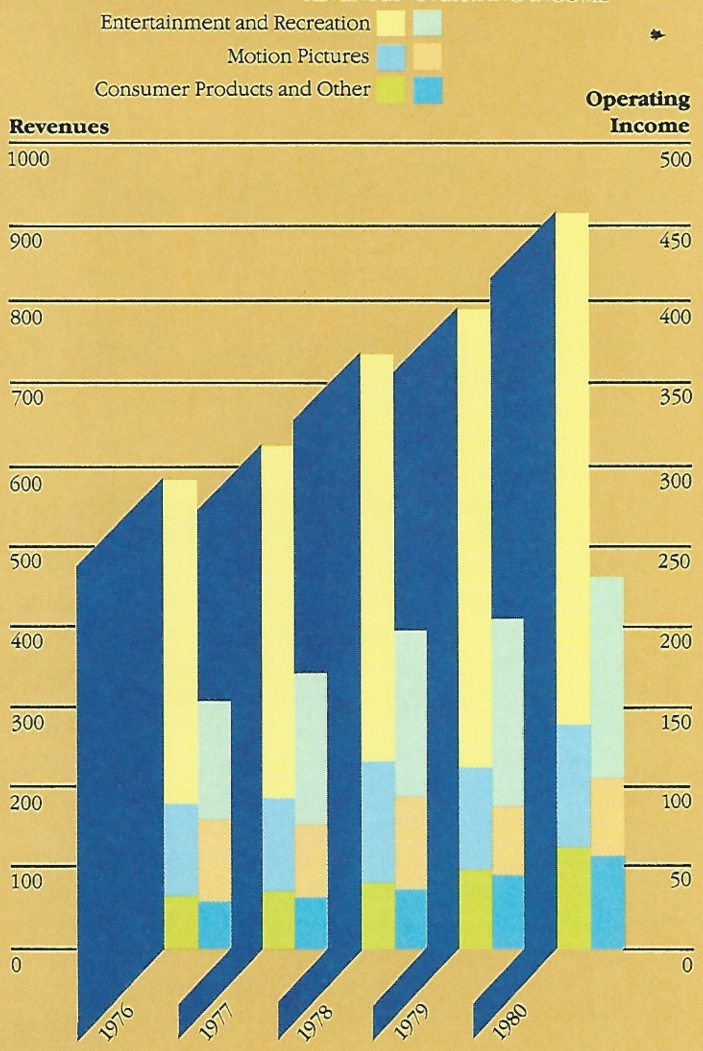
Revenues and operating income increased in 1980 due to a 7% increase in attendance at Disneyland, a 9% increase in theme park per capita guest spending at both Disneyland and Walt Disney World, higher room rates and increased per capita guest spending at the resort hotels at Walt Disney World, and increased food and merchandise sales at Lake Buena Vista, including the Walt Disney World Village. Disneyland's attendance for 1980 represents the highest attendance ever in its 25-year history and the attendance at Walt Disney World was virtually even with the second highest in its history registered in 1979. Theme park per capita guest spending was influenced by admission media price increases averaging 6-8% in April-May 1979 and March-April 1980, as well as selective increases in food and merchandise prices.

Costs and expenses of operations in 1980 increased due primarily to increases in labor rates and labor hours paid, costs of goods sold, operating materials, outside services, utility rates and depreciation. The average labor rate, which includes employee benefits, increased by 6.3% for the year at Disneyland and by 9.5% at Walt Disney World. During the same period, labor hours paid increased by 7.3% and 4.0%, respectively, due primarily to the 25th Anniversary Celebration at Disneyland and increased park operating hours at Walt Disney World. The increase in costs of goods

sold is attributable to the increase in sales; the gross profit margins for food and merchandise have remained substantially unchanged for the year. Overall operating margins decreased slightly under the weight of inflation and management's decision not to make temporary reductions in personnel during the summer in favor of providing for future requirements.

Revenues and operating income increased in 1979 due to an 11% increase in theme park per capita guest spending at both Disneyland and Walt Disney World, increased occupancy and per capita guest spending at the resort hotels at Walt Disney World and increased occupancy and food and merchandise sales at Lake Buena Vista, including the Walt Disney World Village. Theme park per capita guest spending was influenced by admission media price increases averaging 8% at Disneyland in May 1979 and 6% at Walt Disney World in June 1978 and April 1979. Costs and expenses of operations in 1979 increased due primarily to increases in labor costs and costs of goods sold. Higher labor costs were attributable to an increase in the average labor rate for the year of 7.9% at Disneyland and 10.3% at Walt Disney World and to an increase in labor hours paid of 4.5% at Walt Disney World, while Disneyland experienced a decrease in labor hours of .9%. The gross profit margins for food and merchandise remained substantially unchanged for the year and the overall operating margins were maintained.

REVENUES AND OPERATING INCOME
(In Millions of Dollars)



Motion Pictures

	1980	Change	1979	Change	1978
Revenues	$161,400	+20%	$134,785	−11%	$152,135
Operating income	48,675	+21%	40,229	−26%	54,119

Record high revenues contributed to higher operating income in 1980, due primarily to the substantial film rentals generated by the domestic release of "The Black Hole" and the record-setting performance in the foreign market, which was led by the first re-issue of "The Jungle Book". Television revenues were down from the record high performance of the previous year, due primarily to the absence of a major pay television license agreement and fewer theatrical features being licensed for network television viewing.

Costs and expenses of operations increased in 1980 due primarily to proportionate increases in distribution costs relating to higher film rentals. In addition, amortization of film negative costs increased due to the higher negative cost associated with "The Black Hole" and the write-down of the costs of "The Last Flight of Noah's Ark" and "Midnight Madness" to their expected net realizable values.

Revenues and operating income were down significantly in 1979 despite a near record performance in foreign theatrical distribution and record high television revenues. Domestic theatrical distribution experienced the lowest revenues in three years as the Christmas and Summer releases were unable to produce the much higher grosses realized in the prior year. Costs and expenses of operations declined in 1979 due to significantly less amortization of film negative costs that was partially offset by additional distribution expense. The Company wrote down the cost of "The Small One" and "Unidentified Flying Oddball" to their expected net realizable values in 1979.

Consumer Products and Other

	1980	Change	1979	Change	1978
Revenues	$109,725	+21%	$90,909	+13%	$80,564
Operating income	55,093	+23%	44,822	+20%	37,469

Record high revenues in character merchandising and publications, educational media and records and music publishing contributed to higher operating income in 1980. Significant increases were experienced in the foreign market where character merchandising and publications activities continued to benefit from an ongoing program of developing new product that is gradually introduced into new territories

around the world. In addition, the successful domestic release of the Mickey Mouse Disco record album, together with other new product development, has contributed to a resurgence in the records and music publishing business. New product development is also contributing to non-theatrical and educational media activities. An improvement in operating margins was also a factor in higher operating income for the business segment.

Both the character merchandising and publications and educational media divisions of the Company experienced gains in 1979 in both revenues and operating income, while records and music publishing was down slightly. In addition to new product development, which particularly affected foreign results, a gradual increase in license fees of approximately 20% also contributed to better results. Operating margins also improved for the year.

General and Administrative Expense

	1980	Change	1979	Change	1978
Amount	$21,130	+19%	$17,830	+4%	$17,212
Percent of revenues	2%		2%		2%

The increase in corporate general and administrative expenses of approximately $3.9 million over the last two years is due to the expansion of various functions and services, particularly in the corporate finance, employee relations and management information services divisions, as well as normal increases in labor, materials and outside services. Included in 1979 is the pre-tax gain of approximately $1.9 million realized from the sale of the Celebrity Sports Center in Denver, Colorado, and certain non-recurring costs of approximately $300,000.

Design Projects Abandoned

	1980	Change	1979	Change	1978
Amount	$4,294	+80%	$2,390	−28%	$3,311

At the close of each fiscal quarter, management evaluates projects in the concept and design stages which have been in progress for varying periods of time. Those which are determined to have no future use are abandoned. The significant increase in 1980 is attributable to certain projects relating to the EPCOT Center, the evaluation of which has resulted in abandoned costs for the first time during the current year.

Interest Income — Net

	1980	Change	1979	Change	1978
Amount	$42,110	+48%	$28,413	+128%	$12,468

The Company has realized net interest income (after interest expense) from short term investments, such income being dependent upon fluctuations in interest rates and the amount of such investments. The Company contemplates that interest income will decrease as the funds currently invested are used to finance the EPCOT Center project. (See discussion under Financial Position on page 32 and Note 2 of Notes to Consolidated Financial Statements.) Interest expense amounted to $746,000, $27,000 and $2,017,000 for fiscal years 1980, 1979 and 1978, respectively. The higher interest expense in 1978 was due to a tax settlement with the Internal Revenue Service for fiscal years 1974 and 1975.

Taxes on Income

	1980	Change	1979	Change	1978
Amount	$112,800	+13%	$100,100	+10%	$91,100
Percent of income before taxes on income	45.5%		46.8%		48.1%

The lower income tax rates in 1980 and 1979 are a result, in part, of a reduction in the corporate federal income tax rate as provided for in the Revenue Act of 1978, a portion of which was not realized until 1980. A full explanation of the provisions for taxes on income for 1980 and 1979 is given in Note 3 of Notes to Consolidated Financial Statements.

Magnitude of Taxes Paid

The Company incurred in excess of $148 million in taxes — on income, property and employment — in fiscal year 1980. This tax burden has increased 62% in just three years.

	1980	Change	1979	Change	1978
Income, property and employment taxes	$148,400	+12%	$132,900	+12%	$118,500
Percent of income before taxes	52%		54%		55%

In addition to these taxes, which are absorbed by the Company, $89.7 million was collected from customers and guests or withheld from employees and passed on to various governmental agencies during fiscal year 1980. As a result of these various taxing requirements, the Company filed close to 1,800 tax returns during the year.

When income is restated for the effects of inflation (as discussed in the following section), the effective tax rate on inflation-adjusted earnings is significantly higher than the effective rate on earnings presented in the primary financial statements. In other words, an increase in income which is due only to inflation is subject to real income taxes. If government were to provide for inflation relief through revisions in allowable depreciation or statutory tax rates, companies would be given greater incentives toward capital investment. This would increase productivity and in turn would create a positive influence on the country's economy.

SUPPLEMENTARY INFORMATION REGARDING INFLATION AND CHANGING PRICES

General Background

Inflation has become a subject of increasing significance in the U.S. economy during the past decade. During periods of continuing inflation the purchasing power of the dollar is eroded, meaning that it requires more dollars to purchase the same goods and services.

The primary financial statements traditionally reflect the historic cost rather than the current cost of assets required to maintain an enterprise's productive capability. Transactions are recorded in terms of the number of dollars actually received or expended without regard to changes in the purchasing power of the currency or changes in the cost of goods and services consumed.

There is no universally accepted method for measuring inflation. In recognition of the need, however, to provide readers of financial statements with information to assist them in assessing that impact, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 33, "Financial Reporting and Changing Prices" (SFAS 33). The general objectives of reporting the effects of changing prices as expressed in SFAS 33 are to help users assess (a) future cash flows, (b) the maintenance of operating capability, (c) financial performance, and (d) the maintenance of general purchasing power.

The Statement prescribes two supplementary income computations. One deals with the effects of general inflation (constant dollars) and the other deals with the effects of changes in the specific prices of the resources actually used in the operations of the enterprise (current cost). As permitted by SFAS 33 the Company has elected to defer the inclusion of current cost data until the 1981 annual report.

Under the "constant dollar" method, historical cost financial information is adjusted only for changes that have occurred in the general purchasing power of the dollar as measured by the Consumer Price Index for all Urban Consumers (CPI-U). Constant dollar adjustments for the current fiscal year are as follows:

SUPPLEMENTARY STATEMENT OF CONSOLIDATED INCOME ADJUSTED FOR CHANGING PRICES
For The Year Ended September 30, 1980
(In thousands of dollars)

	As Included In Primary Financial Statements (Historical Cost)	As Adjusted for General Inflation (Constant Dollar)
Revenues	$ 914,505	$ 914,505
Costs and expenses:		
Cost of goods sold	147,691	152,000
Depreciation	43,093	75,000
Amortization	33,889	38,000
Other expenses	483,956	483,956
Interest income (net)	(42,110)	(42,110)
Taxes on income	112,800	112,800
Total costs and expenses	779,319	819,646
Net income	$ 135,186	$ 94,859
Earnings per share	$4.16	$2.92
Net assets at year end	$1,074,798	$1,596,000
Loss from decline in purchasing power of net monetary assets		$ 20,000

In the presentation above, there are several comparisons worthy of note. Net assets at year end increased $521 million when the cost of inventories, film production costs and the cost of property, plant and equipment are adjusted to average 1980 dollars based on the CPI-U index. This increase in the valuation of assets results in an increase in depreciation expense of $32 million. This adjustment of depreciation expense is the primary cause of the decrease in net income adjusted for general inflation. The decline in purchasing power of net monetary assets represents a reduction in the purchasing power of such assets during the year. Net monetary assets represent cash or claims to cash less amounts owed. In computing the above amounts, normal service lives and depreciation/amortization rates have been applied to the indexed amounts. No adjustments are made to fully depreciated assets currently utilized in the Company's business. Revenues and all other expenses are considered to reflect the average price levels for the year and accordingly have not been adjusted.

As required by SFAS 33, revenues, cash dividends per common share, and market price per common share at year end are restated based on the average CPI-U for the year for each of the five years shown. The amounts as expressed in average 1980 constant dollars are as follows:

FIVE YEAR COMPARISON OF SELECTED SUPPLEMENTARY FINANCIAL DATA ADJUSTED FOR EFFECTS OF CHANGING PRICES
(In thousands of dollars)

	Year Ended September 30				
	1980	1979	1978	1977	1976
Revenues					
As reported	$914,505	$796,773	$741,143	$629,825	$583,896
As adjusted	914,505	905,149	928,657	844,819	831,115
Cash dividends per common share					
As reported	$.72	$.48	$.32	$.15	$.12
As adjusted	.72	.55	.40	.19	.17
Market price per common share at year end					
Actual	$47-1/4	$40-1/4	$42-5/8	$39-1/2	$47-7/8
As adjusted	45	43-1/8	51-1/4	51-5/8	66-1/2
Average consumer price index	239.7	211.0	191.3	178.7	168.4

Management's Comments and Conclusions

Inflation accounting as required by SFAS 33 involves the use of numerous assumptions, approximations, and estimates, and should be viewed in that context and not as a precise indicator of the effects of inflation. The reader is cautioned not to attach too much significance to any one year's adjusted results. Even when several years are viewed consecutively, the information is considered to be of limited use until the reader completely understands the principles and concepts utilized in compiling the data. It is essential that the Financial Accounting Standards Board continue the experimentation process to devise improved measurement techniques as to the effects of inflation on businesses.

The Company believes that the "current cost" method of computing the effects of inflation may be more indicative of the effects of inflation on its entertainment and recreation and consumer product businesses. However, the Company, together with others in the Motion Picture Industry, believes that there is no meaningful way to compute current cost on film production costs. Because this matter has not yet been resolved with the Financial Accounting Standards Board, the Company has elected to defer the inclusion of current cost data for 1980.

The Company believes that the use of the moving average basis of accounting for the cost of its inventories, together with the rapid turnover of its goods, results in an inventory valuation and cost of goods sold determination that generally approximates current cost.

As noted above, depreciation adjusted for general inflation is significantly higher than the depreciation reported in the primary financial statements. However, this additional theoretical depreciation should not be interpreted as an indication of a decline in the Company's ability to maintain its productive capability. As a result of carefully planned and comprehensive refurbishing programs at its entertainment facilities, the productive capability is continuously renewed. The Company is not confronted with a problem of replacing very old and worn-out capital assets.

In accordance with SFAS 33, no adjustment has been made to the provision for income taxes included in the supplementary statement of income. The effective tax rate for 1980 rises from 45.5% on a historical cost basis to 54.3% on a constant dollar basis. This information highlights the fact that inflation does erode real earnings growth and that effective tax burdens are often greater than the statutory rate, thus reducing funds available for increasing capacity and stimulating productivity.

WALT DISNEY PRODUCTIONS AND SUBSIDIARIES CONSOLIDATED STATEMENT OF INCOME

	Year Ended September 30	
	1980	1979
Revenues		
Entertainment and recreation	**$643,380,000**	$571,079,000
Motion pictures	**161,400,000**	134,785,000
Consumer products and other	**109,725,000**	90,909,000
Total revenues	**914,505,000**	796,773,000
Costs and Expenses of Operations		
Entertainment and recreation	**515,848,000**	450,435,000
Motion pictures	**112,725,000**	94,556,000
Consumer products and other	**54,632,000**	46,087,000
Total costs and expenses of operations	**683,205,000**	591,078,000
Operating Income Before Corporate Expenses		
Entertainment and recreation	**127,532,000**	120,644,000
Motion pictures	**48,675,000**	40,229,000
Consumer products and other	**55,093,000**	44,822,000
Total operating income before corporate expenses	**231,300,000**	205,695,000
Corporate Expenses (Income)		
General and administrative	**21,130,000**	17,830,000
Design projects abandoned	**4,294,000**	2,390,000
Interest income — net	**(42,110,000)**	(28,413,000)
Total corporate expenses (income)	**(16,686,000)**	(8,193,000)
Income Before Taxes on Income	**247,986,000**	213,888,000
Taxes on income (note 3)	**112,800,000**	100,100,000
Net Income	**$135,186,000**	$113,788,000
Earnings Per Share	**$4.16**	$3.51

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Balance at beginning of the year	**$425,203,000**	$326,911,000
Net income for the year	**135,186,000**	113,788,000
Dividends — Cash (72¢ and 48¢ per share)	**(23,280,000)**	(15,496,000)
Balance at end of the year	**$537,109,000**	$425,203,000

See notes to consolidated financial statements and summary of significant accounting policies.

WALT DISNEY PRODUCTIONS AND SUBSIDIARIES CONSOLIDATED BALANCE SHEET

	September 30 1980	1979
ASSETS		
Current Assets		
Cash	$ 9,745,000	$ 8,790,000
Short term investments, at cost which approximates market (note 2)	318,533,000	346,100,000
Accounts receivable, net of allowances	50,711,000	37,122,000
Inventories	54,648,000	41,874,000
Film production costs (note 1)	61,127,000	38,278,000
Prepaid expenses	11,438,000	8,977,000
Total current assets	506,202,000	481,141,000
Film Production Costs—Non-Current (note 1)	59,281,000	47,610,000
Property, Plant and Equipment, at cost		
Entertainment attractions, buildings and equipment	935,152,000	882,137,000
Less accumulated depreciation	(352,051,000)	(310,750,000)
	583,101,000	571,387,000
Construction and design projects in progress		
EPCOT Center (note 2)	141,373,000	29,889,000
Other	21,658,000	30,907,000
Land	16,414,000	16,264,000
	762,546,000	648,447,000
Other Assets (note 4)	19,378,000	19,226,000
	$1,347,407,000	$1,196,424,000
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities		
Accounts payable, payroll and other accrued liabilities	$ 109,047,000	$ 74,591,000
Taxes on income (note 3)	36,244,000	45,177,000
Total current liabilities	145,291,000	119,768,000
Long Term Liabilities and Non-Current Advances (notes 2 and 4)	30,429,000	18,616,000
Deferred Taxes on Income and Investment Credits (note 3)	96,889,000	96,978,000
Commitments and Contingencies (note 6)		
Stockholders Equity (note 4)		
Preferred shares, no par		
Authorized—5,000,000 shares, none issued		
Common shares, no par		
Authorized—75,000,000 shares		
Issued and outstanding—32,354,319 and 32,299,431 shares	537,689,000	535,859,000
Retained earnings	537,109,000	425,203,000
	1,074,798,000	961,062,000
	$1,347,407,000	$1,196,424,000

See notes to consolidated financial statements and summary of significant accounting policies.

WALT DISNEY PRODUCTIONS AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year Ended September 30 1980	1979
Financial Resources Were Provided by:		
Operations		
Net Income	**$135,186,000**	$113,788,000
Expenses not affecting working capital		
Depreciation	**43,093,000**	40,439,000
Amortization of prepaid pension costs	**726,000**	726,000
Amortization of film production costs, non-current	**4,233,000**	5,309,000
Design projects abandoned	**3,108,000**	1,628,000
Deferred taxes on income and investment credits		139,000
Working capital provided from operations	**186,346,000**	162,029,000
Increase in long term liabilities and non-current advances	**13,295,000**	8,501,000
Proceeds from exercise of stock options and tax benefits	**1,830,000**	1,535,000
	201,471,000	172,065,000
Financial Resources Were Used for:		
Additions to property, plant and equipment		
EPCOT Center	**113,155,000**	16,666,000
Other	**47,145,000**	39,963,000
Additions to non-current film production costs	**68,409,000**	44,436,000
Transfers to current film production costs	**(52,505,000)**	(32,339,000)
Decrease in long term liabilities and non-current advances	**1,482,000**	1,278,000
Cash dividends	**23,280,000**	15,496,000
Prepaid pension funding		1,975,000
Other	**967,000**	3,991,000
	201,933,000	91,466,000
Increase (Decrease) in Working Capital	**$ (462,000)**	$ 80,599,000
Increase (Decrease) in Components of Working Capital:		
Cash	**$ 955,000**	$ (528,000)
Short term investments	**(27,567,000)**	67,819,000
Accounts receivable, net of allowances	**13,589,000**	10,414,000
Inventories	**12,774,000**	2,470,000
Film production costs	**22,849,000**	5,825,000
Prepaid expenses	**2,461,000**	693,000
Accounts payable, payroll and other accrued liabilities	**(34,456,000)**	(9,532,000)
Taxes on income	**8,933,000**	3,438,000
	$ (462,000)	$ 80,599,000

See notes to consolidated financial statements and summary of significant accounting policies.

WALT DISNEY PRODUCTIONS AND SUBSIDIARIES
DESCRIPTION OF THE BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

WALT DISNEY PRODUCTIONS is a diversified international company engaged in family entertainment and operates in three business segments:

Entertainment and Recreation

The Company operates an amusement theme park, "Disneyland", in California and wholly owned subsidiaries operate a destination resort, "Walt Disney World", in Florida. In addition to an amusement theme park, the Walt Disney World complex includes three hotels, camping, golfing and other recreational facilities, a shopping village and other lodging accommodations.

Motion Pictures

The Company produces motion pictures for theatrical and television distribution, including both network and independent television station broadcasting. The Company distributes its filmed product through its own distribution company in the United States and through foreign subsidiaries in certain countries and independent distribution companies throughout the rest of the world.

Consumer Products and Other

The Company licenses the name Walt Disney, its characters, its literary properties and its songs and music to various manufacturers, retailers, printers and publishers. The Company also produces, manufactures and distributes phonograph recordings, 8 millimeter prints of excerpts from its film library, 16 millimeter prints of product taken from the film library or developed on educational subjects, and a broad range of teaching aids. These activities are conducted through the character merchandising, publications, records and music publishing, and educational media divisions and subsidiaries of the Company.

The following summary of the Company's significant accounting policies is presented as an integral part of the financial statements.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its domestic and foreign subsidiaries, all wholly owned.

REVENUE RECOGNITION

Generally, revenue is recorded when the earning process is substantially complete and goods have been delivered or services performed. Revenue from entertainment and recreation activities is received principally in cash; revenue from participant/sponsors at the theme parks (which will include the EPCOT Center) is recorded over the period of the applicable agreements commencing with the opening of the attraction. Revenue from the theatrical distribution of motion pictures is recognized when motion pictures are exhibited domestically and when revenues are reported from foreign distributors; revenue from television licensing agreements is generally recorded when the film is contractually available to the licensee and certain other conditions are met.

FILM PRODUCTION COSTS AND AMORTIZATION

Costs of completed theatrical and television film productions (negative costs), together with applicable capitalized exploitation costs, are amortized by charges to income in the proportion that gross revenue recognized by the Company during the year for each production bears to the estimated total gross revenue to be received. Estimates of total gross revenue are reviewed periodically and amortization is adjusted accordingly. When unamortized cost exceeds the estimated producers share of film rentals to be received, the carrying value of the film is adjusted to net realizable value.

INVENTORIES

Costs of merchandise, materials and supplies inventories are generally determined on the moving average basis and the retail method and are stated at the lower of cost or market.

PROPERTY, PLANT AND EQUIPMENT

The Company, at any one point in time, will have a number of projects in the concept, design, or construction phases related to entertainment attractions, buildings and equipment. All projects in progress are evaluated on a continuing basis and, upon completion, costs of major replacements and betterments are capitalized. When it is determined that a project in progress has no future use, the costs of such project are charged to income under the caption "Design Projects Abandoned".

Depreciation is provided principally on the straight line method using estimated service lives ranging from four to fifty years. Depreciation and maintenance and repairs are charged either directly to costs and expenses as incurred or to film production costs which are then amortized against income. The cost and related accumulated depreciation of property sold or retired are removed from the accounts, and any resulting gain or loss is recorded in income.

TAXES ON INCOME

Taxes are provided on all revenue and expense items included in the consolidated statement of income, regardless of the period in which such items are recognized for income tax purposes, except for items representing a permanent difference between pretax accounting income and taxable income. Investment tax credits, accounted for by the deferral method, are amortized as a reduction of the provision for taxes on income over the average service lives of the related assets.

STOCK OPTIONS

Proceeds from the sale of common stock issued under stock option plans are accounted for as capital transactions. If stock appreciation rights (SAR's) are granted in connection with options granted, income is charged or credited at the end of each reporting period for the difference between the market price of the Company's stock and the option price of the appreciation rights outstanding.

EARNINGS PER SHARE

Earnings per common and common equivalent share are computed on the basis of the average number of shares outstanding during each year, retroactively adjusted to give effect to all stock splits and stock dividends. It is assumed that all dilutive stock options are exercised at the beginning of each year and that the proceeds are used to purchase shares of the Company's common stock at the average market price during the year.

NOTE 1

Film Production Costs:

Theatrical and television film production costs consist of the following components:

	1980	1979
Released, less amortization	$ 46,337,000	$33,237,000
Completed, not yet released	30,016,000	16,913,000
In process	44,055,000	35,738,000
	120,408,000	85,888,000
Less: Non-current film production costs	59,281,000	47,610,000
Current film production costs	$ 61,127,000	$38,278,000

Non-current film production costs include costs of theatrical and television films in process of production, portions of completed theatrical film costs allocated to television and portions of completed television film costs allocated to foreign markets.

NOTE 2

EPCOT Center Project:

On October 1, 1979, the Company began construction of the EPCOT Center at Walt Disney World, a complex involving two major themed areas, Future World and World Showcase. The official opening is expected to be in October 1982 and the costs of the EPCOT Center are currently estimated to be $800 million by that date. Marketing costs related to the project are expensed as incurred and are included in Corporate General and Administrative Expense.

WED Enterprises, the Company's design division, is responsible for the engineering, master planning and imagineering for the EPCOT Center. The Company has entered into agreements totaling approximately $290 million (of which approximately $70 million has been paid at September 30, 1980) for construction management services, construction contracts and architectural/engineering services.

It is contemplated that the proceeds from short term investments held by the Company will be used to fund the project, together with cash generated from future operations and payments by participants/sponsors. In addition, the Company has available an unsecured revolving line of credit of $200 million and will continue to explore other potential sources of debt financing. In accordance with the current participation agreements, the Company expects to receive approximately $280 million in total and $58 million prior to opening day ($16.6 million has been received as of September 30, 1980 and is included in Long Term Liabilities and Non-Current Advances).

NOTE 3

Taxes on Income:

The provision for taxes on income is composed of the following:

	1980	1979
Currently payable		
—Federal	$ 97,352,000	$ 88,275,000
—State	11,668,000	10,280,000
—Foreign	5,454,000	4,935,000
Total currently payable	114,474,000	103,490,000
Deferred		
—Federal	4,194,000	790,000
—State	(668,000)	(280,000)
—Investment credits amortized	(5,200,000)	(3,900,000)
Total deferred	(1,674,000)	(3,390,000)
Total Provision for Taxes on Income	$112,800,000	$100,100,000

The difference between the U.S. federal income tax rate and the Company's effective income tax rate is explained below:

	1980	1979
Federal income tax rate	46.0%	46.5%
State income taxes, net of federal income tax benefit	2.4	2.5
Reduction in taxes resulting from:		
Investment tax credits	(2.1)	(1.8)
Other	(.8)	(.4)
Effective income tax rate	45.5%	46.8%

Net deferred taxes of $4,845,000 at September 30, 1980 ($6,431,000—1979) are included in taxes on income shown under current liabilities on the balance sheet.

Deferred investment tax credits amount to $18,675,000 at September 30, 1980 ($16,941,000—1979).

NOTE 4

Employee Benefits:

The Company contributes to various domestic trusteed pension plans under union and industry-wide agreements. Contributions are based on the hours worked by or gross wages paid to covered employees.

The Company has pension plans covering substantially all of its domestic employees not covered by union or industry pension plans. The plans are funded by Company and employee payments to a trust administered by a bank. At June 30, 1980, the date of the latest actuarial evaluation, the market value of the fund's assets exceeded the actuarially computed

vested benefits by $7,891,000. The Company prepaid the actuarially computed past service liability of the plans determined as of June 30, 1978. The unamortized prepaid amounts totaling $5,774,000 at September 30, 1980, are deferred in other assets and are being amortized over periods ranging to nine more years.

The Company has also established a non-qualified and unfunded key employee retirement plan providing for Company and domestic employee contributions. The amount accrued as a long term liability under this plan was $11,177,000 at September 30, 1980 ($9,267,000—1979); the actuarially computed unrecorded past service liability at the date of the latest determination was approximately $6,900,000.

The aggregate amount expensed for all of these plans was $7,146,000 and $5,822,000 for fiscal years 1980 and 1979, respectively, including amortization of actuarially computed prior service costs, where applicable, over periods ranging to thirty-three more years.

Stock options are granted to key executive, management and creative personnel at prices equal to market price at date of grant. The options and prices set forth below have been adjusted, where applicable, for all subsequent stock splits and stock dividends.

Transactions under the 1967 and 1973 Plans during fiscal year 1980 were as follows:

	Number of Shares	
	Options Granted	Available For Grant
Outstanding September 30, 1979 ($20.77 to $46.72 per share)	652,240	4,268
Options terminated	(26,370)	19,640
Options exercised (average $22.59 per share)	(54,888)	
Outstanding September 30, 1980 ($20.77 to $43.52 per share)	570,982*	23,908

*Includes 157,502 shares with SAR's.

To the extent SAR's are exercised, reserved shares will not be available for future grants.

Options are exercisable beginning not less than one year after date of grant. Qualified options expire five years after date of grant and non-qualified options expire ten years after date of grant. At September 30, 1980, 3,893 shares granted under the 1967 Plan were exercisable at $43.52 per share and 392,591 shares granted under the 1973 Plan were exercisable at $20.77 to $40.81 per share.

Under the Company's 1967 and 1973 Stock Option Plans, $1,240,000 was received in fiscal year 1980 ($1,102,000—1979) and credited to common shares for 54,888 and 53,180 option shares exercised in fiscal years 1980 and 1979, respectively. Income tax benefit from purchase of option shares by employees of $590,000 was credited to common shares in fiscal year 1980 ($433,000—1979).

In February 1980 the stockholders approved a new option plan for the granting of non-qualified options, under which a total of 600,000 common shares are reserved for issuance to key employees. No options have yet been granted under the 1980 Plan.

The 1980 Stock Option Plan permits the granting of stock appreciation rights in connection with any option granted under this plan or under the 1973 Stock Option Plan. In lieu of exercising a stock option, SAR holders are entitled, upon exercise of an SAR, to receive cash or common shares or a combination thereof in an amount equal to the excess of the fair market value of such shares on the date of exercise over the option price.

As of September 30, 1980, appreciation rights were outstanding with respect to 157,502 option shares of the 1973 Stock Option Plan. These stock appreciation rights were granted on May 7, 1980 to a limited number of key employees and will not be exercisable until on or after November 7, 1980. Income and overhead accounts have been charged with $2,188,000 during fiscal year 1980.

The Company established, effective in 1976, an Employee Stock Ownership Plan (ESOP) for salaried employees, under the terms of the Tax Reduction Act of 1975. The Act allows the Company to claim an additional 1% of the Company's qualified capital investments as an investment tax credit if such an amount is paid to a trust which then purchases shares of the Company's stock in the open market for the employees' benefit. Relating to fiscal years 1979 and 1978, respectively, $445,600 and $455,800 have been used to purchase 9,234 and 12,845 shares of stock.

NOTE 5

Information About The Company's Operations in Different Business Segments:

The Company operates in three business segments: Entertainment and Recreation, Motion Pictures and Consumer Products and Other. These business segments are described in the Summary of Significant Accounting Policies on page 41 of this report.

The Consolidated Statement of Income presents the revenue and operating income by business segment. Additional financial information relative to business segments follows:

Total revenues of $914,505,000 ($796,773,000—1979) included foreign revenues (considered as export sales) related to the following geographic areas:

	1980	1979
Europe	$ 95,749,000	$ 71,628,000
Western Hemisphere (excluding the United States)	24,413,000	19,947,000
Other	13,701,000	13,289,000
	$ 133,863,000	$ 104,864,000

Capital expenditures by business segment were:

Entertainment and recreation	$ 157,834,000	$ 54,804,000
Motion pictures	2,020,000	1,541,000
Consumer products and other	140,000	42,000
Corporate	306,000	242,000
	$ 160,300,000	$ 56,629,000

Depreciation expense by business segment was:

Entertainment and recreation	$ 41,780,000	$ 39,053,000
Motion pictures	921,000	805,000
Consumer products and other	199,000	411,000
Corporate	193,000	170,000
	$ 43,093,000	$ 40,439,000

Amortization expense of film production costs (classified under Motion Pictures) was $33,889,000 and $31,823,000 for fiscal years 1980 and 1979, respectively.

Identifiable assets by business segment were:

Entertainment and recreation	$ 825,364,000	$ 684,856,000
Motion pictures	154,135,000	113,269,000
Consumer products and other	30,265,000	23,221,000
Corporate	337,643,000	375,078,000
	$1,347,407,000	$1,196,424,000

Corporate assets are principally cash and short term investments.

NOTE 6

Commitments and Contingencies:

Pursuant to an agreement for the use of the name of Walt Disney, Retlaw Enterprises, Inc. (a company owned by the family of the late Walter E. Disney) earned royalties of approximately $7,107,000 and $6,557,000 from the Company for fiscal years 1980 and 1979, respectively; in accordance with such name agreement, the amount in fiscal year 1980 included $3,550,000 ($3,505,000—1979) as a participation by Retlaw of 5% in the profits, as defined in that agreement, of certain Walt Disney World operations.

In October 1979, the Company executed an agreement with a bank for an unsecured five year revolving line of credit of $200,000,000 at the prime rate. Under the line of credit, the Company is required to pay a fee on the unused portion of the commitment and maintain certain compensating balances.

The Company's subsidiary, Buena Vista Distribution Co., is a defendant with other motion picture distributors in a number of private treble damage actions asserting claims under the federal anti-trust laws. These actions, which seek damages aggregating hundreds of millions of dollars, are in various stages of pre-trial proceedings. The Company has denied the material allegations of the complaints in these actions, and in the opinion of management and counsel, the Company will not suffer any material liability by reason thereof.

NOTE 7

Operations by Quarter (Unaudited):

A summary of certain information pertaining to operating results for each quarter of fiscal years 1980 and 1979 is shown below (in thousands of dollars, except for per share data).

	December 31	March 31	June 30	September 30
1980				
Revenues				
Entertainment and recreation	$122,345	$138,863	$183,032	$199,140
Motion pictures	37,453	49,972	36,776	37,199
Consumer products and other	25,685	29,268	25,607	29,165
Total revenues	$185,483	$218,103	$245,415	$265,504
Operating income before corporate expenses				
Entertainment and recreation	$ 18,455	$ 24,425	$ 39,695	$ 44,957
Motion pictures	11,921	17,036	9,641	10,077
Consumer products and other	13,485	15,744	12,057	13,807
Total operating income before corporate expenses	$ 43,861	$ 57,205	$ 61,393	$ 68,841
Income before taxes on income	$ 47,953	$ 61,613	$ 67,196	$ 71,224
Net income	$ 25,653	$ 33,013	$ 35,896	$ 40,624
Earnings per share	$.79	$1.02	$1.10	$1.25
1979				
Revenues				
Entertainment and recreation	$106,327	$122,178	$161,937	$180,637
Motion pictures	26,543	39,487	29,057	39,698
Consumer products and other	21,802	25,020	20,855	23,232
Total revenues	$154,672	$186,685	$211,849	$243,567
Operating income before corporate expenses				
Entertainment and recreation	$ 14,633	$ 21,497	$ 36,038	$ 48,476
Motion pictures	8,104	11,622	7,610	12,893
Consumer products and other	10,696	12,700	10,901	10,525
Total operating income before corporate expenses	$ 33,433	$ 45,819	$ 54,549	$ 71,894
Income before taxes on income	$ 34,107	$ 48,043	$ 57,201	$ 74,537
Net income	$ 18,007	$ 25,743	$ 30,101	$ 39,937
Earnings per share	$.56	$.79	$.93	$1.23

NOTE 8

Replacement Cost Information (Unaudited):

In compliance with Securities and Exchange Commission requirements, the Company has presented replacement cost information in its Form 10-K Report (a copy of which is available upon request). The disclosure contains specific information with respect to estimates of the current replacement cost of the productive capacity of the Company and its subsidiaries as of September 30, 1980 and September 30, 1979 together with related amounts of costs and expenses on the basis of replacement cost for the years then ended.

Report of Independent Accountants

Price Waterhouse & Co.

1880 CENTURY PARK EAST
WEST LOS ANGELES, CALIFORNIA 90067

November 17, 1980

To the Board of Directors and Stockholders
of Walt Disney Productions

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, retained earnings and changes in financial position present fairly the financial position of Walt Disney Productions and its subsidiaries at September 30, 1980 and 1979, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co

FIVE YEAR REVIEW (Dollar amounts and shares in thousands, except per share data)

SUMMARY OF OPERATIONS BY BUSINESS SEGMENTS	1980	1979	1978	1977	1976
Revenues					
Entertainment and recreation	**$ 643,380**	$ 571,079	$508,444	$445,165	$401,613
Motion pictures	**161,400**	134,785	152,135	118,058	119,133
Consumer products and other	**109,725**	90,909	80,564	66,602	63,150
Total revenues	**$ 914,505**	$ 796,773	$741,143	$629,825	$583,896
Operating Income Before Corporate Expenses					
Entertainment and recreation	**$ 127,532**	$ 120,644	$105,952	$ 92,062	$ 70,423
Motion pictures	**48,675**	40,229	54,119	46,094	53,801
Consumer products and other	**55,093**	44,822	37,469	31,344	27,700
Total operating income before corporate expenses	**231,300**	205,695	197,540	169,500	151,924
Corporate Expenses (Income)					
General and administrative	**21,130**	17,830	17,212	16,754	12,113
Design projects abandoned	**4,294**	2,390	3,311	1,740	3,182
Interest income—net	**(42,110)**	(28,413)	(12,468)	(6,341)	(3,570)
Total corporate expenses (income)	**(16,686)**	(8,193)	8,055	12,153	11,725
Income Before Taxes on Income	**247,986**	213,888	189,485	157,347	140,199
Taxes on income	**112,800**	100,100	91,100	75,400	65,600
Net Income	**$ 135,186**	$ 113,788	$ 98,385	$ 81,947	$ 74,599
Earnings per Share	**$4.16**	$3.51	$3.04	$2.53	$2.30
Cash Dividends per Share	**$ .72**	$ .48	$ .32	$ .15	$ .12
Average number of common and common equivalent shares outstanding during the year	**32,513**	32,426	32,397	32,373	32,418

FINANCIAL POSITION	1980	1979	1978	1977	1976
Current assets less current liabilities	**$ 360,911**	$ 361,373	$280,774	$203,446	$114,156
Property, plant and equipment—net of depreciation	**762,546**	648,447	633,885	629,940	623,542
Other non-current assets	**78,659**	66,836	54,808	44,641	54,507
	1,202,116	1,076,656	969,467	878,027	792,205
Less other non-current liabilities	**127,318**	115,594	108,232	106,821	99,823
Stockholders equity	**$1,074,798**	$ 961,062	$861,235	$771,206	$692,382
Stockholders equity per share	**$33.22**	$29.76	$26.71	$23.97	$21.55

CERTAIN CHANGES IN FINANCIAL POSITION	1980	1979	1978	1977	1976
Working capital provided from operations	**$ 186,346**	$ 162,029	$148,081	$133,096	$128,699
Additions to property, plant and equipment	**160,300**	56,629	45,367	44,517	43,708
Additions to film production costs	**68,409**	44,436	32,716	34,699	35,559
Cash dividends	**23,280**	15,496	10,273	4,725	3,659

OTHER DATA	1980	1979	1978	1977	1976
Stockholders at close of year	**62,000**	65,000	66,000	65,000	61,000
Employees at close of year	**24,000**	21,000	21,000	19,000	19,000

See notes to consolidated financial statements and summary of significant accounting policies.

PARENT COMPANY

WALT DISNEY PRODUCTIONS
Produces motion pictures for theatrical and television distribution — operates Disneyland Park — conducts ancillary activities. Operates through functional divisions:
Walt Disney Outdoor Recreation Division — Richard A. Nunis — President
Walt Disney Motion Picture and Television Production Division — Ronald W. Miller — Executive Producer
Walt Disney Marketing Division — E. Cardon Walker — President

BOARD OF DIRECTORS

CAROLINE LEONETTI AHMANSON*†
Business woman, civic leader and philanthropist

WILLIAM H. ANDERSON
Independent Producer

ROY E. DISNEY*
Chairman of the Board, Shamrock Broadcasting Co., Inc. (radio and television broadcasting)

PHILIP M. HAWLEY†
President, Carter Hawley Hale Stores, Inc. (retail merchandising)

RONALD W. MILLER‡
President and Chief Operating Officer

RICHARD T. MORROW
Vice President – General Counsel

DONN B. TATUM‡
Chairman of the Executive Committee

E. CARDON WALKER‡
Chairman of the Board and Chief Executive Officer

RAYMOND L. WATSON*†
President, The Newport Development Co. (land development)

Director Emeritus

GORDON E. YOUNGMAN

Advisory Members

IGNACIO E. LOZANO, JR.
Publisher, LA OPINION (newspaper publishing)

RICHARD A. NUNIS‡
Vice President – Walt Disney Outdoor Recreation Division

*Member of Audit Review Committee
† Member of Compensation Committee
‡Member of Executive Committee

CORPORATE OFFICERS

E. CARDON WALKER
Chairman of the Board and Chief Executive Officer

DONN B. TATUM
Chairman of the Executive Committee

RONALD W. MILLER
President and Chief Operating Officer

MICHAEL L. BAGNALL
Senior Vice President — Finance

RONALD J. CAYO
Senior Vice President — Business and Legal Affairs

VINCENT H. JEFFERDS
Senior Vice President — Walt Disney Marketing Division

JACK B. LINDQUIST
Senior Vice President — Advertising, Publicity, Promotion and Public Relations

CARL G. BONGIRNO
Vice President — EPCOT

BARTON K. BOYD
Vice President — Consumer Products and Merchandising

JOSE M. DEETJEN
Vice President — Tax Administration and Counsel

ROBERT W. GIBEAUT
Vice President — Studio Operations

LUTHER R. MARR
Vice President — Corporate and Stockholder Affairs

RICHARD T. MORROW
Vice President — General Counsel

RICHARD A. NUNIS
Vice President — Walt Disney Outdoor Recreation Division

LENNART RINGQUIST
Vice President — Television

HOWARD M. ROLAND
Vice President — Construction Contract Administration and Purchasing

FRANKLIN WALDHEIM
Vice President and Eastern Counsel

DORIS A. SMITH
Secretary

WILLIAM ALLEN JONES
Treasurer

BRUCE F. JOHNSON
Controller

LELAND L. KIRK
Assistant Secretary — Treasurer

NEAL E. McCLURE
Assistant Secretary

DONALD A. ESCEN
Assistant Treasurer and Assistant Controller

DOUGLAS E. HOUCK
Assistant Controller

DONALD E. TUCKER
Assistant Controller

PRINCIPAL DOMESTIC SUBSIDIARIES

BUENA VISTA DISTRIBUTION CO., INC.
Charles E. Good—President
Distributes, syndicates and sells domestically 35mm theatrical film, television programs and records.

BUENA VISTA INTERNATIONAL, INC.
Harold P. Archinal—President
Supervises the distribution of 35mm theatrical film, 16mm film and television programs in foreign countries.

LAKE BUENA VISTA COMMUNITIES, INC.
Richard A. Nunis—President
Edward L. Moriarty—Vice President-Operations
Owns the community of Lake Buena Vista, operates the Walt Disney World Village and leases townhouses, residences and hotel sites.

WALT DISNEY TELECOMMUNICATIONS AND NON-THEATRICAL COMPANY
E. Cardon Walker—Chairman of the Board
James P. Jimirro—President
Distributes and licenses 16mm film, audio-visual educational materials, 8mm home movies, home video cassettes and pay television.

WALT DISNEY MUSIC COMPANY (ASCAP affiliate)
WONDERLAND MUSIC COMPANY, INC. (BMI affiliate)
Ronald W. Miller—Chairman of the Board
Vincent H. Jefferds—President
Gary Krisel—Vice President-General Manager
Music Publishing.

WALT DISNEY TRAVEL CO., INC.
Jack B. Lindquist—President
Markets wholesale and retail tour packages.

WALT DISNEY WORLD CO.
E. Cardon Walker—Chairman of the Board
Richard A. Nunis—President
Robert C. Allen—Vice President
James P. Armstrong—Vice President-Resorts and Food Administration
Charles C. Luthin—Vice President-Finance and Treasurer
Edward B. Crowell—Vice President-Facilities
Robert K. Matheison—Vice President-Operations
James P. Passilla—Vice President-Employee Relations
Howard M. Roland—Vice President-Construction Contract Administration and Purchasing
Philip N. Smith—Vice President-Legal and Secretary
C. Ray Maxwell—Controller
Operates Walt Disney World.

PRINCIPAL DOMESTIC DIVISIONS

DISNEYLAND
Richard A. Nunis—President
James P. Armstrong—Vice President-Food Administration
Ronald K. Dominquez—Vice President-Operations
James P. Passilla—Vice President-Employee Relations
Jack B. Lindquist—Vice President-Marketing
Edward B. Crowell—Vice President-Facilities Division
Dennis M. Despie—Vice President-Entertainment
Doris A. Smith—Secretary
Robert J. Risteen—Treasurer
Nancy E. Mize—Controller
Operates Disneyland Park.

WED ENTERPRISES
Carl G. Bongirno—President
John C. Hench—Senior Vice President
Orlando C. Ferrante—Vice President-Manufacturing and Production
Martin A. Sklar—Vice President-Creative Development
Frank P. Stanek—Vice President-Tokyo Disneyland Administration
John F. Zovich—Vice President-Engineering
Stephen Bills—Treasurer
Master plans, designs and engineers for outdoor entertainment projects.

FOREIGN SUBSIDIARIES WITH PRINCIPAL MARKETING EXECUTIVES

Distribute, sell and license Walt Disney products in foreign territories.

AUSTRALIA
Walt Disney Productions Pty. Limited
Walter A. Granger
Music publishing.

BELGIUM
Walt Disney Productions (Benelux) S.A.
Andre Vanneste
Character merchandising, publications, 8mm home movies and educational materials.

CANADA
Walt Disney Music of Canada Limited
James K. Rayburn
Records and music publishing.

DENMARK
Walt Disney Productions A/S Danmark
Gunnar Mansson
Character merchandising and publications.

FRANCE
Walt Disney Productions (France) S.A.
Armand Bigle, Richard Dassonville
35mm theatrical film, 16mm film, audio-visual educational materials, 8mm home movies, character merchandising, publications, records and music publishing.

GERMANY
Walt Disney Productions (Germany) GmbH
Horst Koblischek
Character merchandising, publications, 8mm home movies and music publishing.

ITALY
Creazioni Walt Disney S.p.A.I.
Antonio Bertini
Character merchandising, publications, educational materials, 8mm home movies and records.

JAPAN
Walt Disney Enterprises of Japan Ltd.
Matsuo Yokoyama
Character merchandising, publications, 8mm home movies and music publishing.

Walt Disney Productions Japan, Ltd.
Yosaku Seki, Mamoru Morita
35mm theatrical film supervision, travel and tour sales.

SPAIN
Walt Disney Iberica, S.A.
Enrique Stuyck
Character merchandising and publications.

SWEDEN
Walt Disney Productions A/B
Abbe Drisin
35mm theatrical film, 8mm home movies and publications.

UNITED KINGDOM
Walt Disney Productions Limited
Gustave A. Zelnick, Monty Mendelson, Terry Byrne, Keith Bales
35mm theatrical film, 16mm film, audio-visual educational materials, 8mm home movies, character merchandising, publications, records and music publishing.